

THE TICKER AND INVESTMENT DIGEST

Investment: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Speculation: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

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Wall Street's New Unit

An Episode of Mr. Harriman's Illness

By RICHARD G. CONOVER

DURING the recent illness of the great railroader, Edward H. Harriman, at Arden, N. Y., a new unit was evolved in Wall Street mechanics. This new unit may be termed the reportorial verification of news, gossip and rumor, that are hurricaned into the Street from distant storm centers of finance. This unit is a sort of discount percentage that enables the Street to nail the outright lie, and winnow from garbled truth a correct report of conditions, by means of a "Johnny-on-the-spot" representative.

One of the largest of the Wall Street concerns made use of this unit of verification during ten of the days that Mr. Harriman lay ill. It was no little picayune, tipster, stock-gambling house, but a firm that has branches all over the United States and European connections, accustomed to dealing in affairs meaning millions. Because of this it is most likely that the innovation will be taken up by the Street, and the verification system thus inaugurated may become a matter of necessary routine.

The new idea was put into play through an accident—or rather a humdrum newspaper incident. When Harriman was taken to Arden on August 24, most of the dailies of New York were lulled—either really or apparently—into the belief that the sick man would soon recuperate after taking the "after cure" at his mountain home. In fact, Harriman had said so himself as he came off ship, and wasn't that conclusive?

One of the big dailies, however, sent an experienced reporter to Arden the following day. He was reminded that the eyes of the world were fixed on Harriman. He was directed to discover what was the exact trouble with the sick man, as there had been all sorts of reports as to his disease, and it would be real live news to discover the truth. It may be remarked right here, however, that there was a strong prejudice in the office of this paper, among its editors and sub-editors, against any suggestion that Harriman was a doomed man. This fact had come to light the previous night, when Har-

riman came off ship, and it was rumored that he had cancer.

"That cancer story is all bosh," said one of the editors in charge. "I don't take any stock in it. Why, can't you see that if Harriman had cancer he'd be a dead man?"

This and similar talk made it clear that it was not desired to print anything that might be construed as meaning a fatal termination of the sick man's illness. In other words he was not to be regarded as a man sick unto death. Ergo, he could not have cancer.

The reporter sent to Arden arrived on the afternoon of August 25, and got busy. By a little shrewdness he was able to get within a hundred feet of the Harriman house. He could even see the great railroader lying at length in an invalid's chair. He was able to see that Harriman's face was as a death mask; that the listless movement of his head and hands at short intervals betokened a fatal weakness.

The reporter then began a systematic inquiry to learn, if possible, the exact nature of the sick man's malady. It was impossible to gain admission to the house. Inquiry of Dr. Lyle, Harriman's physician, brought only the stereotyped reply that the patient had no organic trouble and was certain to get well. These replies were over the phone.

Laborers, painters, carpenters, servants, chauffeurs, neighbors and medical men within a radius of several miles, were asked for information as to Harriman's trouble. Although only report and gossip could be obtained, nevertheless a modicum of truth is almost always the result of such inquiry. There was a unanimity that was surprising in the belief that Harriman had cancer. It was known by all that he had had trouble with his spine also, but the paramount trouble was cancer. One had heard it here and another there.

The reporter wired in his story that night to the effect that unless Harriman showed a turn for the better within three days there would be a consultation of physicians anticipatory to an operation. He told that everybody said cancer. The night editors

printed the story, but with a very guarded reference to cancer. The next day the reporter was recalled. The paper did not believe that Harriman was deathly sick, and did not believe in cancer.

And, strange to say, neither did any other paper seem to want to believe the facts. The Associated Press had the sick man sitting up, attending to business, taking automobile rides, and getting rapidly better. That was what their representative was told over the telephone, and it was swallowed, hook, line and sinker.

The recalled reporter was naturally hot under the collar to think that the true state of affairs as he had wired them should not have earned him a compliment. Relations were severed and down into Wall Street he went to ascertain if there were not some there who would really like to know the absolutely true state of affairs at Arden. He was recommended to the firm alluded to. The head of this firm had believed from the headlines and text of all the dailies that Harriman was well on the way to recovery. But he was wise enough and astute enough to understand that news may be suppressed, doctored or garbled, by those giving out the news, those handling the news or those printing the news.

The reporter was sent right back to Arden as the firm's representative. A code was agreed upon. Harriman was to be called "Eddy" in telegrams. Doctors were "tailors," Arden was "Yardenz," and an operation was to be "vaccination." In addition a cipher system was used, wherein certain key words were interpolated, making the context unintelligible.

During the several days the reporter was at Arden he sent on an average of five telegraphic bulletins a day, with a four or five-page written report by mail at night. The bulletins were sent so that they would do the most service from 10 A. M. to 3 P. M. One went in the early morning and another about 9 o'clock at night to the home of the head of the firm.

From the very first these bulletins said that Harriman was getting worse. For three days in succession they told

the truth, while every paper in New York was resting content with news given out at the Union Pacific offices, at 120 Broadway, that Harriman was getting better. There was never any variation in the bulletins. The man was bad and then worse, and worse, and worse. Not a single telegram said that he was even a "trifle" better. The truth was he was dying, and the firm in New York had this knowledge in its possession every morning when its representatives went on the floor of the Exchange.

Being an experienced newspaper man, the reporter went after his facts in a newspaper way. He got the news because he knew how to get it, and because he had no care on his mind as to how he should dress up his story to suit possible exigencies at the home office. His firm didn't tell him what they intended to do with his information. All they wanted of him was to tell the truth as he found it. He was not to search for bad news any more than good news, but to tell the real truth.

Probably the most effective service rendered by the reporter was his bulletins which were sent just before Labor Day, which was not a holiday abroad. The information wired into New York was cabled to London at once. Of course other "fake" reports might have been sent to London, but there is a power about truth that makes a cable message ten times more emphatic and convincing in its phraseology when there is truth to tell.

The effect of the bulletins was soon felt on the floor. It is all very well to show a telegram. It is done so often that the average trader doesn't even stop to scoff. But when a reputable broker can say with truth: "I know what I am talking about. I have a man right on the scene. He knows his business. He is in hourly communication with me. He's going to wire me bad news or good news, just as he finds it. You can rely upon it that what he telegraphs is the real condition of affairs," his words have weight and influence with his associates.

Because of this, the feeling that Harriman was not getting better gained

ground. Gradually the newspapers became alarmed. They rushed men to Arden. They began to realize that they might have to print that Harriman was dead. The headlines began to alter. The sick man was now called pretty bad. Then came the admissions that he had been worse than had been printed for several days past. All of the details that the reporter had sent to his firm days before in bulletins were now put in type.

The night before Harriman died the reporter, at 11 o'clock, bulletined the head of the firm as follows: "Harriman's death is only a matter of a very few hours. He cannot survive. His fever today was 106. Oxygen is being constantly administered, and this is weakening the heart of an already deathly weak man." Some of the newspaper men had similar information, and it appeared in their dailies the next morning. They did not, however, declare that Harriman could not live. Their information was on hand for their readers at breakfast. The head of the firm represented by the reporter knew the inevitable ten hours ahead of those who depended upon the papers for their information.

Some of the bulletins contained information of relative if not positive value. Things that looked significant were wired so that conclusions might be drawn. When the laborers were stopped blasting so that the noise might not annoy the sick man, the fact was sent in as corroborative of other bad reports. Doctors arriving from New York were bulletined at once, also tanks of oxygen received. All of these highly important facts were in the hands of the New York firm hours, and in several instances days, ahead of when printed in the newspapers.

One of the features of the watch on Harriman was the withdrawal by the newspapers of every representative at the request of Harriman. A letter over the sick man's signature was sent out deliberately insisting that the newspapers do his bidding by taking their men away. All information, the letter declared, would be given out at 120 Broadway, New York. And, strange indeed to record, all of the newspaper

representatives were withdrawn, leaving the reporter looking after the Wall Street firm's interests alone on the job until the papers became alarmed a day or two later. During this period his bulletins reported Harriman steadily growing worse, while the 120 Broadway reports had the sick man steadily growing better.

As had been prearranged, Harriman's death was first given out in New York. The reporter had learned that it would be. After sending his firm a final bulletin at 2 P. M. Thursday that he was trying to verify a report that death had occurred, he sat down in the telegraph office waiting for the market to close, confident that the fatal news would be flashed then. Sure enough, at 3:55 P. M. the word was received from New York. The reporter immediately had Harriman's house confirm the death by 'phone, and bulletined his firm of the family verification. Then he returned to New York.

"You have done me an inestimable service," was the greeting of the head of the firm to the reporter. "You took my message to Garcia. You have been of the greatest benefit to me with my foreign connections. I have cabled my people there just now to note the absolute accuracy of my reports obtained through you. The newspaper reports were so conflicting, it would have been absolutely impossible to have ventured an opinion. The entire Street was at sea, and after your bulletins began to come I felt confident that I was the only man that had the real information. It is a new idea in Wall Street, and I shall be glad to make use of it, and you, whenever the big necessity is at hand."

It was simply a case of garbled and misleading newspaper reports forcing a reputable house into making use of reliable information obtained in as legitimate a way as the newspaper stories upon which the entire Street was depending.

The accuracy of the bulletin service and the absolute correctness of the information outlined, will be realized when it is recalled that the first story sent by the reporter to his paper on August 25 declared Harriman to be in

a grave condition, that an operation was an almost foregone conclusion, and that cancer was the trouble. Fifteen days later Harriman died of cancer. At every stage the Wall Street firm knew the worst just as positively as though the sick man had been told off to die at a certain date.

Of course it would be absurd to suppose that Wall Street operators will retain men to cover situations with the same universality as newspapers. There are so many irons in the financial fire that it would be both foolish and useless to attempt it. But whenever a Wall Street firm becomes intensely interested in a situation that has its focus miles away from their office, they will find it both satisfactory and profitable to have a representative on the ground to report to them the true and unbiased condition of affairs. Whenever something is pending that is liable to influence the entire market, and especially influence stocks in which a firm is dealing extensively, but which news from distant points is controlling, the unit of verification will enter into the calculation, and the reportorial representative will be called in.

There is always a variation in newspaper reports. It is seldom that the dailies of the city are alike in their news. On the contrary, there are frequently three and four different reports. If the Wall Street man is fond of a certain paper he will place confidence in its news. What is he to think, however, when he sees the headlines of other papers varying diametrically from his favorite? It may mean many thousands of dollars to know just what is the exact news. The news the Wall Street man wants is special to him. To the newspaper, the news is general. Reporters are generally accurate, but nevertheless variations in telegraphed reports are in everyday evidence.

It is odd that the Street, knowing that a "fake" report or tip is borne on every breeze, has never systematically taken up the scheme of reportorial verification. While such verification is an impossibility where transactions are influenced by a brief time period, when it comes to a movement that is bound

to extend over several days or weeks and concerning which prompt and reliable news from a distant point is an absolute necessity, the importance of an up-to-snuff representative at the distant point cannot be overestimated. Naturally he should be a man of newspaper training accustomed to look for news at every angle, and conversant with every significant sign that makes for news.

With a reportorial verification system in general adoption, the tendency will be to lessen the wildcat and "fake" rumors that are so often put on

the Street. The spurious will be run to earth more often and more readily, because the Street will apply its unit of verification and declare itself from Missouri, with an unfailing demand to "be shown." Business will be facilitated, because confidence will be increased. Now and then a fraudulent verification might creep in, but a reputable house, employing a reputable verifier, will have the same right to credence as a reputable newspaper, with a hundred per cent. greater advantage in the way of gaining possession of authentic information.



Principles of Price Movement

By Thomas F. Woodlock*

UNDER this heading we have to study the principles governing the movements of stock prices, and determine how far the future can be foreseen in this respect.

The price of a security at a given time is the equation (so to speak) of the desires or necessities of buyer and seller resulting from free bargaining in the open market, and prices move according as these desires and necessities change from time to time.

Certain *a priori* principles undoubtedly apply in the first instance; examination of the facts will supply us with others by use of the inductive method.

We may deal first with the *a priori* principles. These deal with two distinct things—first, the matter of speculation, and second, with the speculators themselves.

In modern times the chief worth of capital to its owner is in its power to fortify or produce income or profit. Remembering the nature of a stock, therefore, it is evident that the two really fundamental factors in determining its price over a period of time will be the income-producing capacity of the stock and the income-producing capacity of capital represented by other forms of investment. These other forms are best represented by the general interest rates for long-time loans and commercial paper.

In other words, a rise in general interest rates tends to cause a fall in prices of stocks, and vice versa.

Likewise, an increase in the income-producing capacity of a stock tends to cause a rise in the price of that stock—and vice versa.

*From a series of lectures delivered at the New York Y. M. C. A.

If for the purpose of this discussion we call this general interest rate the "value" of capital and the income-producing capacity of a security the "value" of that security, we can state it as a fundamental principle of price movement that "values make prices" or tend to make them over a period of time long enough to allow of elimination of effect of temporary factors.

Consequently, to the extent that coming changes in the value of either money or stock can be foreseen, the general tendency of prices can be foreseen. Before passing to other considerations we may note certain facts under this head:

The income-producing capacity of a stock may be

- a. Wholly actual and limited.
- b. Partly actual and partly potential.
- c. Wholly potential.

Further let it be noted that in the case of a security, limited or unlimited, there may be either a *plus* or a *minus* potentiality. In the case of a limited security, this potentiality is the measure of security of yields; in other cases it is the

measure of likelihood of increased or decreased yield.

Thanks to the wide extension of "publicity" and the great diffusing of expert knowledge regarding corporation accounts (especially railroads), a considerable degree of knowledge is attainable regarding security values, and the changes likely to occur therein.

Coming changes of importance in money "values" while probably not so easy to foresee can nevertheless be foreseen in accordance with general economic principles, and in a general way it may be said that foresight on both these points is a reasonably well-grounded possibility. Consequently we may safely say that speculation which is based on study of these two important factors is reasonably scientific.

A study of the actual movements of prices over a period of years will show that the general price cause is ultimately determined by these factors. We take for purposes of illustration the record of stock price-averages as kept by the *Wall Street Journal* and use the last ten years' figures:

Price Movements For Ten Years

Year.	Net Adv.	Net Decl.	Total Adv.	Total Decl.
1899	—	6.06	20.04	26.10
1900	18.99	—	45.82	26.83
1901	12.23	—	72.32	60.09
1902	11.20	—	52.02	40.82
1903	—	25.67	32.32	57.99
1904	17.92	—	37.61	19.69
1905	24.83	—	49.70	24.87
1906	—	6.49	46.28	52.77
1907	—	45.34	56.18	101.52
1908	34.32	—	67.33	33.01
Total	35.93	—	479.62	443.69

First, let us observe the effects of the two fundamental factors already described, viz., the "values" of money and of stocks. As is well known, the period 1899 to 1907 was one of increasing stock values in that railroad earnings increased largely and dividends were quite generally increased. To this must be ascribed the net advances in prices in 1900, 1901, 1902, 1904, 1905.

In 1903 there was a period of sharp increase in money values which caused the large decline in stock prices of that year. In 1906 and 1907 the great world-

crisis occurred. In 1908 money values declined to the lowest level recorded in the ten-year period, and stock prices rose, although stock values were not increasing in that year, but rather diminishing.

Broadly speaking, stock values governed the movement of prices in 1900, 1901, 1902, 1904, and 1905. In 1903, 1907 and 1908 money values governed and in 1906, it was a drawn battle.

But the records show much more than the mere operation of these two factors. For while in the ten years the market made a net advance of about 36 points,

it made no less than sixty-five clearly marked up and down movements, the "up" movements totaling no less than 480 points, and the "down" movements totaling no less than 444 points. Each "up" movement averaged about $7\frac{1}{4}$ points move in 33 days and each "down" movement averaged about $6\frac{7}{8}$ points in 22 days.

Note that in the years of advancing prices, 1900, 1901 and 1902—which resulted in a net gain of over 42 points—there were total advances of 170 points and total decline of 128 points. Note also that in 1904 and 1905, in which the net advances were almost 43 points, there were total advances of about 87 points and total declines of 128 points. Note likewise in 1908 there were total advances of 67 points and total declines of 33 points.

Further, note that in 1903, which was a year of declining prices, there were total declines of 58 points and total advances of 32 points; also that in 1907, another year of decline, there were total declines of 101 points and total advances of 56 points. And in 1906, which was a year of small net changes, there were total advances of 46 points and total declines of 52 points.

Then it is apparent that in every year there occurred many movements of prices in a direction contrary to that of the main trend produced by the operation of the fundamental factors described—many declines in years of net advances and many advances in years of net decline. To what factors must we attribute these changes? And what laws govern them?

It is very clear that these changes are of enormous importance to the speculator, seeing that they loom so large in proportion to his capital, as we have previously pointed out. Consideration of the permanent or fundamental factors will not help him much with so many cross currents and eddies to be faced. He must clearly give his attention to the things that produce these changes.

Remembering that the speculator is always a borrower of either money or stock—usually stock—we can argue *a priori* that difficulty in borrowing money will cause speculators to sell the stock, and difficulty in borrowing stock will

cause speculators to buy stock. This principle is complementary to the principle "values make prices," but it concerns the speculator rather than the matter of speculation. High rates for call money mean temporary low prices for stocks as a rule. Sometimes this factor is of importance. We can trace its operation in several of the years under review.

But another principle is disclosed of somewhat similar character which is more frequently operative than this. The speculator who has bought may sell in order to close his transactions. When a large number of speculators have bought "long" the market is threatened with a large amount of sales which must sooner or later be made—and *vice versa* when speculators are generally short purchases must eventually be made to "cover."

The former condition is called an "overbought" market and the latter an "oversold" market. Both constitute a species of unstable equilibrium which is easily disturbed and always is disturbed sooner or later. It is to this development that we must ascribe many of the sharp movements downward in a period of advancing prices and the sharp rallies in "bear" markets.

Experience shows that the price movement in either direction is constantly overrunning itself in this way and reacting, and it is an axiom in Wall Street that reaction is more or less proportioned to the action that it follows. Many people claim that on a fair average reaction will be somewhat about half the action previous.

Naturally no rule of this kind holds at all times, for *accidents* must be taken into account (such as the Northern Pacific corner, McKinley's assassination, the corn crop failure 1901, the Northern Securities suit in 1903, and the San Francisco fire 1906), which disturb the mere ebb and flow of speculation. Then also there is the matter of *manipulation*.

Manipulation is the making of quotations by "matched orders" with the object of inviting other people to buy or sell. There is very much less of it than most people suppose, and as an independent factor in price-making it may be almost neglected. It is at this time,

however, an auxiliary factor to a small extent.

The eddies in the main current of prices may be considered on the whole the result of alternation of "overbought" and "oversold" conditions of speculation aiding or opposing the particular fundamental movement due to underlying values as the case may be. It may be noted that the eddies—or movements contrary to the main movement—as the declines in 1900, 1901 and 1902, the rallies in 1903, the declines in 1904 and 1905, the rallies in 1907 and the decline in 1908—were all of much shorter duration than the contrary movements with the prevailing tide.

This fact often furnishes signs of a movement's culmination as when, after a period of advancing prices a slow decline sets in followed by a sharp rally, or when after a long decline a slow advance sets in followed by a sharp break.

If we gather up such principles as we have been able to find, we get the following:

A. The general trend or tide of prices is determined by fundamental values.

B. This tide is constantly interrupted by *eddies*, which are the result of conditions growing out of speculation and accidents.

C. The eddies in the tide are usually swifter than the movement with the tide.

D. The eddies usually bear some suitable proportion to the movement that has preceded them.

E. As a general rule declines are accomplished more rapidly than advances. (Because most speculators operate as "bulls.")

It is evident that while the chapter of accidents is never done, the movement of prices is by no means so irregular as to be incapable of a certain amount of foresight and that speculators who bear the above principles in mind and operate on them cannot be accused of being mere gamblers.

In other words, stock speculation is not of its nature wholly unscientific.



A Has Been

By E. W. IVINS

We all knew him on the Street,
In his prime.
He made magnates seek him then;
He, the cleverest of men
Of his time.

Were it stocks, or were it wheat
He bulled or beared;
With a brain that clearly planned,
He'd the market in his hand,
And he dared.

He made fortunes on the Board
In those days;
Then he spent them like a prince.
I have wondered, often, since
At his plays.

He would laugh when told to hoard
What he'd gained;
He would toss his head, and say:
"Play it strong while't comes your way."
Nor refrained.

He is still down on the Street
At the game.
Now he frequents bucket shops,
Trying hard to beat the stops,
"Luck's to blame!"

Bird's Eye Views

Studies of Value Based on a Broad Survey of Conditions That Make Prices

I. The Strategic Position of Southern Pacific

By G. C. SELDEN

THE average investor thinks of Southern Pacific as a railroad. In fact it is very much more than a railroad; and to the few who have kept careful track of the development of the company and who have the gift of imagination to picture to themselves the conditions in its territory a few years hence, the position of Southern Pacific appears as unique among all American corporations.

The news articles of the day seek to account for the rapid rise in the price of this company's stock by "manipulation," "support," etc. The simple fact is that, to appreciate the exceptional position of Southern Pacific, it is necessary to take a broad view of the future of the company. The most successful—and therefore the largest—investors have the "constructive imagination." While reading the dry statistics of to-day they are seeing in the mind's eye the conditions of five or ten years hence.

Southern Pacific is of course a "holding company," and its varied activities may be classified as follows:

1. A transportation company.
2. A construction company.
3. A land and lumber company.
4. An industrial company.

As a transportation company it operates about 10,000 miles of steam railroad in eight States; over 600 miles of electric railway; 26 ocean-going steamships; about 100 tugs and lighters, and two ferries.

As a construction company it is

building a Mexican extension of 1500 miles; rebuilding (jointly with the Atchison) the Northwestern Pacific Railroad—a system of over 400 miles, running north up the coast from San Francisco; and doubling its already extensive mileage in Oregon.

As a land and lumber company it owns over 15,000,000 acres of land in four states; enormously valuable timber holdings in Oregon; the largest oil fields in the world, after the Russian oil lands and the properties of the Standard Oil Company; and undeveloped real estate in Portland, San Francisco and other cities.

As an industrial company it operates light and power plants in and around Los Angeles; owns over \$1,500,000 of stock in the Wells Fargo Express Company; operates several irrigation enterprises; owns and operates its own refrigerator lines, elevators, etc.

Some time ago the ever-diverting Thomas proposed to turn the Bay State Gas Company into a "National Stock," the purpose of which, so far as it could be disentangled from the Lawsonese in which the flaming advertisements were written, was to gradually absorb all the industrial and speculative activities of the country. It will be seen from the above incomplete outline that Southern Pacific has made a long step toward becoming a "national stock" in the section where it operates—and it has the decided advantage of paying a liberal dividend and selling at a high and constantly

advancing price, while Bay State Gas is quoted at 57 cents on the Boston curb. This point is commended to the consideration of those who are anxious to invest in a "National Stock."

WHAT IS MEANT BY STRATEGIC POSITION

Commerce is warfare—somewhat softened by civilization, restricted by law, held a little in check by mutual agreements, but still, in its most essential features, the survival of the strongest. Modern warfare has become almost entirely strategy. The clash of arms is almost confined to the historical novel and the football field.

In commerce and in war it is now the commanding position which counts. The enemy is not going to rush regardless upon impregnable fortifications and the "captain of industry" is not going to waste the substance of his company in a hopeless competition with another company which has preempted the territory.

A recent muckraker has made sarcastic sport of "Mr. Hill's domain"; but whether we like it or not, whether we believe it beneficial to the country or not, the territory served by the Great Northern, Northern Pacific and Burlington railways is practically secure from important competition so far as steam transportation is concerned.

In its own territory the Southern Pacific is equally dominant; but instead of confining its activities to steam transportation, it has branched out in every direction. Its power is far greater than that of Mr. Hill's company in the Northwest. When two or three efforts failed to check the victorious career of the Colorado River into the "Salton Sea," the President of the United States called upon the President of the Southern Pacific, and, presto! the flood was tamed and fenced into its narrow channel. The incident was typical of the commanding position of this company.

The strategic position of the company may be considered under four heads:

1. Growth and development of territory.

2. Possibilities of competition.
3. Financial affiliations.
4. Ownership of subsidiaries.

DEVELOPMENT OF TERRITORY

What is the real meaning of that enormous flow of population from the United States into the Canadian Northwest? That is a region peculiarly unattractive from almost every point of view except that of the wheat raiser. A long winter, severely cold and snowy in most of the Canadian wheat country; a short summer, the low sun barely yielding heat enough to ripen the wheat; a limited number of profitable crops and a forbidding price for luxuries of the table which are cheap farther south; railway service which would be counted miserably inadequate in Illinois or Kansas—why do thousands and thousands of people leave home and friends, schools, churches and the comforts of civilization to penetrate these northern regions?

Why are towns growing over night in the Texas Panhandle? It is a flat, uninteresting country, with high winds, a summer temperature sometimes as high as 115 degrees and occasional biting "northers" in the winter, and a rainfall that would have been considered insufficient only a few years ago. What is the underlying cause of dry farming?

These are the phenomena of land hunger. Not that the United States cannot support in comfort many times its present population, but the day of cheap, fertile land is over. The farmer of small capital, starting out to buy land on which to support himself and family and accumulate a competence, finds it more and more difficult year by year to make the purchase within reach of a civilized community. That is why he pushes the frontier far into the North and out to the very edge of the desert.

This is how it works out: Increasing town population raises the price of farm products. This raises the price of fertile, well situated farm lands. This in turn forces the farmer with small capital to push out on the margin of civilization.

An immense population has pushed

into the Dakotas, the Pacific Northwest, the Canadian Northwest, northern Texas and Oklahoma. Where next? Where, if not into southern and western Texas, into the irrigated lands of New Mexico, Arizona and southern California, into the newly developed sections of northern California and Oregon, into the cultivable regions of northern Mexico?

The student of past movements of population will conclude that the next great "trek" of the farmers will be into the far Southwest—the "domain" of Southern Pacific.

IRRIGATION

National and private irrigation projects are a recognition of the fact that cheap, tillable land is almost exhausted. This policy will continue—from the very force of circumstances it must continue. Every stream in the dry sections whose waters can be diverted for use in irrigation will eventually be so employed.

Western Texas, New Mexico, Arizona and Southern California offer splendid opportunities for irrigation and such developments are going on along the lines of the Southern Pacific far more rapidly than the average investor is aware.

The fact must not be lost sight of that irrigation is as a rule far superior to natural rainfall. The irrigator is sure of just as much water supply as his crops may need. He can farm systematically and can secure enormous crops. A relatively small area of irrigated land will produce as much traffic for a railroad as a large area of sparsely settled, thinly cultivated land. Successful irrigation brings rapid increase in wealth.

THE MEXICAN EXTENSION

Although the Mexican extension is separately incorporated, it has been financed so far almost entirely by the Southern Pacific. On nearly 500 miles of this line the Mexican government has granted a subsidy of \$10,000 a mile. The extension will afford a direct through line from our Pacific cities down the west coast to Mexico City, also a direct line from Texas and New Mexico to the Pacific Coast of

Mexico and the Gulf of California. In time it will undoubtedly be connected with the Pan-American Railway into Central America.

A rich mining region will be opened up and the agricultural possibilities of the coastal region and the Mexican river valleys west of the mountains are of considerable importance. As a truck farming section these valleys will have peculiar advantages. The climate is equable, as the west winds are tempered by the ocean and the east winds cooled by crossing the mountains. Heat is never excessive. The season will be earlier than anywhere in the United States, with the possible exception of some irrigated lands in the extreme south of Texas.

These early products will have prompt transportation over the new line to the west coast, to the mining regions of the Southwest (where prices are invariably high) and eventually, without doubt, to St. Louis, Kansas City, Denver, and the surrounding country—a long haul.

During the last few years American capital has been flowing into Mexico at an unprecedented rate and it is well known that plans for the future are still more impressive. America is on the brink of the stage reached by England long ago, when capital, piling up year by year in the hands of investors, can find more remunerative use in foreign territory than at home. And not only are great capitalists looking across the line for investment opportunity, but the western farmers, always inveterate land speculators, are turning some of their surplus into Mexican land promotions. Finding the supply of cheap fertile land at home almost exhausted, they long since broke over into Canada and their money is now beginning to invade Mexico.

There can be no question that the junior republic to the south of us is entering upon a broader industrial development. The railroad across the Isthmus of Tehuantepec is already in operation and the Panama canal, when completed, will benefit Mexico far more in proportion than the United States. The Mexican west coast, in particular, will be enormously benefited by these

enterprises, and this is what the genius of Mr. Harriman—never shortsighted, if occasionally overbold—has foreseen in the building of this Mexican extension.

POSSIBILITY OF COMPETITION

That the days of aggressive competition among railroads are practically over is an assertion that will probably be questioned by few careful students of the situation, and Southern Pacific seems to be in an especially favorable position in this respect. Its relations with Atchison and Rock Island systems are most friendly, and Western Pacific cannot be considered a menace. The recent agreement with the Hill systems by which the Harriman roads reach the fast growing cities of the state of Washington, and which apparently settles for some time to come the question of competition in the Pacific Northwest, is important. Washington and Oregon have only begun their development. What would be wild over-speculation in an older country is merely intelligent anticipation in Seattle and Tacoma.

The Harriman and Hill interests had their clash in the Northern Pacific corner of 1901 and the sharpest panic in the history of Wall Street was the result. The fight was declared a draw and each antagonist now has too much respect for the other to sign articles for another encounter. Most important of all, it would not pay; and "pay" in one form or another is what these gentlemen, in common with most of the rest of humanity, are after.

Of course new roads will be built from time to time in Southern Pacific territory but they will be relatively unimportant. Capital is now so concentrated that it would be practically impossible to build a great system anywhere in the United States without at least the tacit consent of the financial powers represented by Mr. Harriman.

In this connection the matter of reduced rates must be considered. In parts of the Southern Pacific territory rates are and always have been high. The people are restless under these charges and there is always the possibility of legislative action to compel

the road to lower its rates. No such action is now imminent. A popular uprising of this kind has always heretofore been a product of prosperity. Moreover, the political influence of the Southern Pacific is perhaps greater than that of any other road.

It is to be remembered that the granger roads, which formerly suffered the most from adverse legislation, are to-day the corner stones of the financial structure. Popular discontent resulted in only a temporary injury to them. Perhaps it is not safe to reason that what has been will be; but in view of all the factors in the situation it seems clear that any possible legislative action looking toward lower rates will be merely a clog on the progress of Southern Pacific and will not produce any material backset.

Doubtless, however, rates will naturally and justly be lowered somewhat as the Southwestern country fills up and the business of the road increases. Such reduction often results in greater profits instead of less, owing to increased traffic; and even if this result does not follow in every case, the road can afford to take a reasonable attitude in the matter of lower rates.

It is within bounds to say that Southern Pacific has a stronger hold upon its territory and is in less danger from reduced rates than any other important western road.

FINANCIAL AFFILIATIONS

It is hard to overestimate the value to Southern Pacific of having the backing of the strongest, most aggressive group of financiers in the history of American railroading. So long as capital controls industry—which looks likely to be for some time—and so long as banking interests control capital, the right kind of banking connections are of superlative importance to any undertaking.

E. H. Harriman never showed more sagacity than when he first made himself solid with the bankers before setting out to learn railroading. Union Pacific has reaped the advantage of that sagacity and the value to Southern Pacific of having the Union Pacific treasury back of it is inestimable.

Just bring it home to yourself—what is it that prevents you from carrying out nine-tenths of your ambitions? Isn't it lack of capital? Could not you carry most of your undertakings to a successful issue if you had the Union Pacific treasury back of you?

The corporation—an incorporeal person—stands in the same position as the individual except that its enterprises are ordinarily larger, and as it never dies, it can afford to look ahead down a limitless vista of years.

OWNERSHIP OF SUBSIDIARIES

It is not so long ago that a railroad was looked upon as a legitimate victim of plunder through private car lines, refrigerator systems, inside bridge and elevator companies, express companies, and any other machinery that its directors could devise.

The fact that the Southern Pacific policy has been diametrically opposite to this is one of the reasons for its present success and one of the strongest guarantees of its future prosperity.

In Southern Pacific territory fuel oil is cheaper than coal for use in locomotives. Therefore Southern Pacific has extensive oil holdings in California, Texas and Mexico. It burns its own oil.

The Wells Fargo Express Company, operating over the Harriman roads, is immensely profitable. Southern Pacific owns stock in this company to the extent of \$1,650,000 par value. To a great extent it thus handles its own express business.

The refrigerator business of the company is operated by its own cars. It owns a considerable system of elevators.

Apparently the company is planning to develop its own irrigation projects, thus in a sense producing its own freight.

Its timber lands in Oregon, as yet almost untouched, will furnish a heavy traffic when the lumber is marketed.

SUMMARY

If you have followed the above analy-

sis you have realized more than ever before that the position of the Southern Pacific holding company is indeed unique in the broad extension of its enterprises, in the enormous amount of construction constantly going on, in its ownership of undeveloped or partially developed properties, in the variety of its industrial undertakings, in the almost limitless possibilities for growth of the territory it serves, in its controlling position and freedom from competition in that territory, in the strength of its financial position, in its ownership of subsidiary corporations.

The earnings and operation of the road have been so frequently analyzed that we will merely summarize them here. In ten years the number of locomotives owned per mile operated has doubled, passenger cars nearly doubled, freight cars more than doubled. Passenger density—or the volume of passengers passing over one mile of road during the year—has increased from 93,000 to 163,000; freight density from 483,000 to 682,000.

The average freight train load even as late as 1904 was only 272 tons. It has jumped to over 400 tons—greater than Atchison, Missouri Pacific, or Northern Pacific, and almost equal to Union Pacific. Train mile earnings advanced from \$2.09 in 1899 to \$2.88 in 1908. The average freight rate per ton per mile was \$1.10 in 1908 against 95 cents in 1899.

The company is paying 6% dividends and earning over 10%. Within a year it has converted a floating debt of \$52,000,000 into a free cash balance of over \$30,000,000. The margin of safety—or the percentage of net income applicable to the payment of dividends on the stock—increased from 16% in 1899 to 59% in 1907—49% in 1908.

To the trained statistician these figures are eloquent of a road that has not only a future but a present.

Everything considered, it is perhaps more important to buy at the right time than to buy the right stock; but at that right time, Southern Pacific is a stock to buy and hold.

Studies in Tape Reading

By Rollo Tape

Author of "Powers Behind the Market," "The Machinery of Manipulation," &c.

XII. Closing the Trades—Suggestions for Students

THE student of Tape Reading, especially he who puts his knowledge into actual practice, is constantly evolving new ideas and making discoveries which modify or nullify his former methods. From each new elevation he enjoys a broader view; what were obstacles disappear; his problems gradually simplify.

We have previously defined Tape Reading as the art of determining the *immediate* trend of prices. If one can do this successfully in the majority of his trades, his profits should roll up. But scenting the trend and getting in right is only one-half of the business. Knowing when to close a trade is just as important, if not the most important part of a complete transaction.

At a certain point in my trading, I became aware that a large percentage of my losing trades resulted from failure to close at the culmination of what I have termed the immediate trend. An example will make this clear: New York Central was on a certain day the strongest stock in a bull market which showed a tendency to react. The pressure was on Reading and Steel. My indications were all bullish, so I couldn't consistently sell either of the latter short. I was looking for an opportunity to buy. The market began to slide off, Reading and Steel being the principal clubs with which the pounding was done. I watched them closely and the moment I saw that the selling of these two stocks had ceased, gave my order to buy New York Central, getting it at 137 $\frac{1}{4}$. It never touched there again, and in ten minutes was 139 bid for 5,000 shares. Here I should

have sold, as my buying indication was for that particular advance. Especially should I have sold when I saw the rise culminate in a spectacular bid which looked like bait for outside buyers. Of course the stock might have gone higher. The main trend for the day was upward. But for the time being 139 was the high point. I knew the stock was due to react from this figure, and it did, but at the bottom of the normal reaction, selling broke out in fresh quarters and the whole market came down heavily. The result was that my profit was only a fraction of what it ought to have been.

This is the way the trade might have been made: I should have sold when 139 was noisily bid, and when the reaction had run its course, picked it up again, provided indications were still bullish. If they were not I would have been in the position of looking to get short instead of waiting for a chance to get out of my long.

Having reserved in the early part of this series the right to revise my views, I will here record the claim that the best results in Tape Reading lie in scenting the moves which are likely to occur in, say, the next half hour, getting in when they start and out when they culminate. This will in most cases cause failure to get *all* of the moves in the one most active stock for the day, but should result in many small profits, and I believe the final results will exceed those realized by sitting on one stock through reactions.

Objections to the latter method are many. One is, the change in leadership which frequently occurs several times during the same session. It be-

ing the purpose of the Tape Reader to keep in the leading stock, he must aim to shift from one issue to another as they come to the front.

It is exasperating to see your stock lose its prominence and "turn dead" on your hands, especially if it occurs at a point where part of the profit has disappeared. And there is little comfort in a half-point profit when some other issue would have turned three times as much. Each day's session should be made to yield the highest possible amount of revenue, just as though it were the last day on which trading could be done, and there seems no better way of obtaining these results than by the latest and most approved method mentioned above.

The decks are thus kept clear for whatever offers; there is no dead wood about.

There is a very wide difference in mental attitude between the man who feels compelled to get out of something and one who is long of money and looking for a chance to make a fresh trade.

The start and finish of one of these small swings is best illustrated by a triangle, the narrow end representing the commencement, and the wide end the culmination. An upward move would appear thus:



and a downward move thus:



These figures denote the widening character of a move as it progresses and are intended to show how volume, activity and number of transactions expand until at the end, comparatively riotous conditions prevail. The principle works the same in the larger swings; witness the spectacular rise in Union Pacific within a few sessions marking the end of the August, 1909, boom.

After closing out a trade the tape will tell on the following reaction whether you are justified in taking the same stock on again or whether some other issue will pay better. Frequently a stock will be seen preparing for a move two or three swings ahead of the one in which it becomes the leader. This is a fine point, but with study and practice the most complicated indications clarify.

And now a word about the many who are endeavoring to turn this series to practical account. The results which are attainable depend solely upon the individual. Each must work out his own method of trading, based on suggestions derived from these Studies or from other sources. It will doubtless be found that what is one man's meat is another's poison, and that no amount of "book larnin'" will avail if the student does not put his knowledge to an actual test in the market.

It is surprising how an acquaintance with subjects relative to the stock market, but seemingly having no bearing upon Tape Reading, will lead to opportunities or aid in making deductions. It is therefore best to study everything possible about the subject. And so when asked what books will best supplement these Studies, I should say: Read everything you can get hold of. If you find but a single idea in a publication it is well worth the time and money spent in procuring and studying it.

Wall Street is crowded with men who are there in the hope of making money, but who cannot be persuaded to look at the proposition from a practical business standpoint. Least of all will they study it, for this means long hours of hard work, and Mr Specula-

tor is laziness personified. Frequently I have met those who pin their faith to some one point, such as the volumes up or down, and call it Tape Reading. Others, unconsciously trading on mechanical indications, pretend to be reading the tape. Then there is a class of people who read the tape with their tongues, calling off each transaction, a certain accent on the higher or lower quotations indicating whether they are bullish or bearish. These and others in their class are merely operating on the superficial. If they would spend the same five or six hours a day (which they now practically waste) in close study of the *business* of speculation, the result in dollars would be more gratifying at the end of the year. As it is, the majority of them are now losing money.

It is a source of satisfaction, however, that these Studies which, I believe, are the first practical articles ever written on the subject of Tape Reading, have stirred the minds of many people to the possibilities in the line of scientific speculation. Evidence of this is found in the numerous communications received in response to my recent invitation; many of them from traders situated in remote localities.

In the main, the writers, who are now carrying on long distance operations for the big swings are desirous of testing their ability as Tape Readers. No doubt those who have written represent but a small percentage of the number who are thus inclined.

To all such persons I would say: Before you can make a success of Tape Reading you must acquire a broad fundamental knowledge of the market. A professional singer who was recently called upon to advise a young aspirant said: "One must become a 'personality'—that is, an intelligence developed by the study of many things besides music." It is not enough to know a few of the underlying principles; one must have a *deep* understanding.

To be sure it is possible for a person to take a number of the "tricks of the trade" herein mentioned and trade successfully on these alone. Even one idea which forms part of the whole

subject may be worked and elaborated upon until it becomes a method in itself. There are endless possibilities in **this direction**, and after all it matters little *how* the money is extracted from the market, so long as it is done legitimately.

But real Tape Reading takes everything into account—every little character which appears on the tape plays its part in forming one of the endless series of "moving pictures." In many years' study of the tape, I do not remember having seen two of these "pictures" which were duplicates. One can realize from this how impossible it would be to formulate a simple set of rules to fit every case or even the majority of them, as each day's session produces hundreds of situations, which, so far as memory serves, are never repeated.

The subject of Tape Reading is therefore practically inexhaustible, which makes it all the more interesting to the man who has acquired the "study habit."

Having fortified himself with the necessary fundamental knowledge, the student of Tape Reading should thoroughly digest these Studies and any others which may be obtainable in future. It is not enough to go over and over a lesson as a school boy does, driving the facts into his head by monotonous repetition; tapes must be procured and the various indications matched up with what has been studied. And even after one believes he understands, he will presently learn that, to quote the words of a certain song, "You don't know how much you know until you know how little you know." One of my teachers in another line of study used to make me go over a thing three or four times after I *thought* I knew it, just to make sure that I did.

I should say that it is almost impossible for one who has never before traded from the tape to go into a broker's office, start right in and operate successfully. In the first place, there are the abbreviations and all the little characters and their meanings to be learned. It is not enough to know the abbreviations of the principal stocks;

it is necessary to know *everything* that appears on the tape, so that nothing will be overlooked. Otherwise the operator will be like a person who attempts to read classic literature without knowing words of more than four letters.

It is a common impression in the Street that anyone who has the price can buy a seat on the Stock Exchange and at once begin making money as a floor trader. But as has already been shown in *THE TICKER*, floor trading is a business that one has to learn, and it usually takes months and years to become accustomed to the physical and nervous strain and learn the ropes.

Frequent requests are made for the name of someone who will teach the Art of Tape Reading. I do not know of anyone able to read the tape with profit who is willing to become an instructor. The reason is very simple. Profits from the tape far exceed anything that might be earned in tuition fees.

In addition to the large operators and floor traders who use Tape Reading in their daily work, there are a number of New York Stock Exchange members who never go on the floor, but spend the session at the ticker in their respective offices. Experience has taught them that they can produce larger profits by this method, else they would not follow it. The majority of them trade in 500 share lots and up and their business forms an important share of the daily volume.

A number of so-called semi-professionals operate on what may be termed intuitive tape reading. They have

no well defined code of rules and probably could not explain clearly just how they do it, but they "get the money" and that is the best proof of the pudding.

The existence of even a comparatively small body of successful Tape Readers is evidence that money making by this means is an accomplished fact and should encourage others.

One of the greatest difficulties which the novice has to overcome is known by the slangy but expressive term, "cold feet." Too many people start and dabble a little without going far enough to determine whether or not they can make a go of it. And even those who get pretty well along in the subject will be scared to death at a string of losses and quit just when they should dig in harder.

For in addition to learning the art they must form a sort of trading character, which no amount of reverses can discourage nor turn back and which constantly strives to eliminate its own weak points such as fear, greed, anxiety, nervousness and the many other mental factors which go to make or unmake the profit column.

Perhaps I have painted a difficult proposition. If so, the greater will be the reward of those who master it. As stated at the beginning, Tape Reading is hard work. There seems no good reason for altering that opinion.

If these Studies and those in the series which will follow are the means of adding a few more names to the list of successful speculators, whether they are Tape Readers or not, I shall feel compensated.

The End.

Note.—Rollo Tape's next series, "Studies in Stock Speculation," written especially for those who cannot attend their broker's offices, will begin in the November Ticker.

A One-Sided Investment Proposition

By William R. Gelston

“WHAT do you think of the preferred stock of the _____ Company as an investment? It carries 7 per cent. dividends and you get a bonus of 20 per cent. in common stock. The concern is doing a good business and the preferred at par seems attractive—don't you think so?”

This question is frequently asked, because there are many manufacturing and other companies which resort to the issue of preferred stock as a means of raising money to strengthen their present financial condition or to enlarge their field of operations. The people most often appealed to as possible buyers of such preferred stock are not business men but doctors, dentists, school teachers and others whose daily occupations are remote from the field of practical finance.

Before answering the request for an opinion on this preferred stock, we look into the proposition more closely and find that the concern is floating an issue of \$200,000 new preferred stock. The business was carried on for some years without incorporation, and the present company was organized perhaps two or three years ago, and the common stock authorized amounts to \$400,000. The business is one which is dependent largely upon good will and the demand for its product is heavily stimulated by advertising.

Now let us analyze the situation and see what the purchasers of the preferred stock will get. We find in the first instance that this preferred carries no voting power. The common stock carries control. Elections of officers and directors and other important matters of policy rest entirely with the common stockholders for decision. Seven per cent. is all the pre-

ferred stock will ever receive, no matter how prosperous the business may become.

“Yes, but you get a 20 per cent. common stock bonus, which will let you share in the future prosperity and gives you voting power,” is the reply.

But what does this common stock bonus really amount to? If all the \$200,000 preferred stock is sold the purchasers of such stock will receive a total of \$40,000 par value of common stock as a bonus. This is only 10 per cent. of the entire common issue. If all the buyers of the preferred should get together and vote this 20 per cent. common, there would still remain 90 per cent. of the issue which could be voted against them.

Surely this representation would not result in their electing a new president. It must be clearly remembered that a stockholder in a business is a partner and not a creditor.

It is difficult in a concern such as we are considering, to get at the exact value of the common stock. We are told that it represents the plant, good will, efforts that have been expended to bring the business to its present state of stability, etc. It will be fairly safe to assume, however, that in nine cases out of ten it is composed largely of water and represents prospective earning power when the proceeds from the sale of the preferred are available.

The preferred purchaser then will become a partner, and considering all the preferred purchasers together, they will probably put in at least one-half of the entire money or tangible capital in the business.

What do they receive? Seven per cent. on their capital, a one-tenth interest in the real profit, and a one-tenth voice in the conduct of the en-

terprise. It must be borne in mind also that the owners and managers will receive salaries for their services and experience.

It should not be inferred that there is anything ethically wrong about a proposition of this kind. It is merely a business bargain and fixes the terms of a partnership.

A sagacious man of affairs wouldn't give much consideration to a proposition where he was to furnish a large part of the money capital and merely get interest on this capital and a one-tenth interest in the profits, and the same percentage of vote in the running of the concern. Of course, it may be said that he will have a prior claim as to assets, but such claim is not protected by a lien, and experience has shown that notes and other obligations will have precedence in a distribution of assets.

The fact that the prospects are most promising and that the managers are capable men and stand high in the trade does not alter the case when one considers the whole question of the preferred stock issue in the light of the terms of a partnership.

The case of the company which has been cited is an actual one and is fairly typical, but, of course, the proportion-

ate amount of common stock bonus varies and in some cases it is not offered at all.

Pertinent questions to ask regarding flotations such as we are considering would be:

Is any of the common stock paid in and at what price?

Who own the common shares not offered as a bonus, and what services or what actual assets do such shares represent?

Has the company any floating debt?

How are the proceeds of the preferred issue to be used?

Can the company encumber its property without the consent of the preferred stock?

A majority of answers will show that the bargain is nearly always one-sided.

Summed up, there are two ways to look at security investments: If one wants his principal adequately protected he should consider the value of the mortgage or guarantee which secures him as a creditor. If he is ready to be a partner or stockholder he should study the nature of the business risk and make sure that, as a partner, he receives his commensurate share of the profits to which he should be entitled when assuming such risk.



Assessable and Non-Assessable

Relative Advantages of the Two Classes of Mining Stocks

By WILLIAM H. TIBBALS

FOR some reason there seems to be a decided prejudice against assessable mining stocks.

There is little foundation for such a feeling. The writer is prompted to discuss this subject briefly because of the numerous inquiries regarding the opportunities offered for investment in mining stocks.

The Eastern investor generally asks two questions: "What is the par value?" and "Is the stock assessable?" If the stock has a par value of ten cents and is selling at fifty cents, although it may be worth a dollar or more, he does not want it. On the other hand, if the par is \$5 and the stock is offered at \$1, he will buy, be-

cause he thinks he is getting \$4 for nothing, although the stock may not be worth ten cents.

If the answer to the second question is in the affirmative, the inquirer at once turns down the offer, although he can give no good reason. The fact that the copper stocks of the Lake region are assessable, and in large sums, does not deter him from investing.

If a western mining stock is offered at a few cents a share it is declined if it is assessable. If another stock from the same district is offered at five times the price and non-assessable, it is frequently taken, laid away, and the investment lost.

The former stock, as an investment or a speculation, has many advantages over the latter. In the first place, the stock is offered at a much lower price, a much larger percentage goes to the benefit of the company, and a smaller commission to the broker for selling. The investor advances a smaller sum at first and the total amount taken from his pocket will not amount to the original sum invested in the non-assessable stock, even though the assessments may be paid for two or three years. All the money thus paid in is used for the benefit of the company.

In the second place, funds are assured for the development and equipment of the mine. It takes time and money to develop a mine from a prospect, and very often a longer time and much more money than the most conservative managers have estimated.

In case the stock is non-assessable, if the net returns (about 50 per cent. of the price paid for the stock) are not sufficient to put the property onto a paying basis and equip it as may be required, then there is no way of raising funds, if the treasury stock is exhausted or a period of depression comes and it is impossible to sell more stock. Under such circumstances the property is often lost, the investment gone, and mining investments in general condemned. Many mining ventures fail and large investments are lost under just such conditions.

The investor should ascertain whether the prospect is well located in

a determined mining district, and whether the management is capable and honest, and whether the stock is assessable. When these four points are satisfactory the risk is reduced almost to a minimum.

It is granted that there are some failures under such conditions, but the chances are much more favorable for success. Then the profits from the investment are often beyond comparison.

A few concrete illustrations may be cited that will emphasize the point.

Way back in the '70s a company was organized with a capital of 30,000 shares only to develop a prospect in Tintic district, Utah. The stock was sold at \$1 a share and the funds from the small treasury were soon exhausted. Assessments were frequently called and many stockholders became discouraged. They sold their holdings at 75 cents a share or less. The two principal men held on, paid their assessments, borrowing often to meet their payments. They were urged by their friends to give up, but they kept on until they had taken out \$70 a share in dividends, and then sold their stock for \$70. The mine yielded them more than \$4,000,000, and today the Centennial Eureka is one of the greatest mines in the country. Had the stock been non-assessable the company would not have had any method of raising funds to continue development to the successful issue.

The recent troubles of the Majestic and the more recent difficulties of the Bingham Consolidated and the Newhouse Mines and Smelter Company enforce the argument in favor of assessable stocks.

Investors will find it to their advantage in the long run to insist on assessable stocks only, and that the price be much less than is generally asked for treasury stocks of new companies which are developing prospects. If such a course is followed we shall hear of fewer losses in mining investments, and one of the greatest and most profitable industries of the world will be looked upon with more favor because of the smaller cost to the investor and the greater profits.

The Bargain Indicator

Some Notable Changes

NOTE.—Earnings are herein computed for the twelve latest months available, except where otherwise noted in the table. Additions and betterments are included in the earnings as given, wherever they are so reported as to be distinguishable from ordinary expenses of maintenance, since earnings invested in the improvement of the property are usually of more value to the stockholders in the long run than if they had been distributed as dividends. Such additions and betterments out of current earnings increase the equity of the stockholders and therefore render the stock more valuable.

ATCHISON is still the leader among the rails, in spite of its recent increase in capitalization.

TOLEDO, ST. LOUIS AND WESTERN common holds second place, by virtue of both an increase in earnings and a decline in price.

CHICAGO & ALTON, formerly the leader, has advanced within the month from fourth place to third.

A considerable part of the heavy earnings of NORFOLK & WESTERN is being reinvested in the property, in accordance with the well known policy of the PENNSYLVANIA R. R., which controls the former. On "PAN HANDLE," for example, dividend distributions are only 5 per cent. on the preferred and 4 per cent. on the common; but the large expenditures for betterments bring the earnings up to 7.2 per cent. on the preferred and 7.2 per cent. on the common—the two stocks being entitled to share equally after the common receives 5 per cent.

COLORADO & SOUTHERN, UNION PACIFIC and LOUISVILLE & NASHVILLE hold the same positions as last month.

SOUTHERN PACIFIC, however, has advanced from twelfth place to eighth place as a result of increase in earnings and a sharp decline in price.

ROCK ISLAND is coming rapidly to the front as a result of heavy earnings in recent months. The amount of preferred stock of the Rock Island Company is small compared with the extent of the system, so that better

profits bring a rapid increase in the earnings on the common.

Earnings on the ST. PAUL and the MINNEAPOLIS, ST. PAUL AND SAULT STE. MARIE are figured on the increased capitalization, causing these stocks to drop several places in the list.

MISSOURI PACIFIC also falls several notches, largely because of heavy expenditures on betterments, which are not so reported as to be distinguishable from ordinary maintenance. However, this road is greatly in need of such expenditures. It is often difficult to decide what should be reckoned as "betterments" and what as "maintenance," as every road must gradually improve its facilities to care for increasing business.

Industrials

The recent report of AMERICAN HIDE & LEATHER shows almost phenomenal earnings. These are badly needed, as the company showed a deficit in 1908, and the preferred dividends (7 per cent. cumulative) are much in arrears. For that reason the stock continues low. The company's fixed charges are comparatively small, so that increased earnings apply principally to the stock. A director states that dividends will not be declared for some time to come, as the company needs to accumulate a surplus.

U. S. RUBBER COMMON falls three places because of the advance in price, and INTERNATIONAL STEAM PUMP drops down the list for the same reason.

THE BARGAIN

TABLE SHOWING WHICH STOCKS

RAILROADS

BASED ON PRESENT EARNING POWER AS COMPARED WITH MARKET PRICE

Position	Est. rate present earnings on par. Sept. 16, '09.	Price	Earnings on price.
1 Atchison com.	13.2%	119	11.1%
2 Toledo, St. Louis & Western com.	5.5	52	10.6
3 Chicago & Alton com.	6.4	65	9.8
4 Norfolk & Western com.	8.7	94	9.4
5 Colorado & Southern com.	4.8	52	9.2
6 Union Pacific com.	19.1	207	9.2
7 Louisville & Nashville	12.9	152	8.5
8 Southern Pacific com.	10.8	128	8.4
9 Pittsburg, Cin., Chicago & St. Louis com. ...	4.9	91	7.9
10 Atlantic Coast Line	9.0	135	6.7
11 Delaware & Hudson	12.9	191	6.7
12 Rock Island pfd.	5.0**	75	6.7
13 Kansas City Southern com.	3.1	47	6.6
14 Baltimore & Ohio com.	7.7	117	6.6
15 Chesapeake & Ohio	5.3	81	6.5
16 Pennsylvania	8.8	141	6.3
17 Chicago & Northwestern com.	12.2	194	6.3
18 Minneapolis, St. Paul & S. S. M. com.	8.0	144	5.6
19 Northern Pacific com.	8.6	155	5.5
20 Brooklyn Rapid Transit	4.2	76	5.5
21 Great Northern pfd.	8.4	153	5.5
22 St. Louis, Southwestern pfd.	3.6	65	5.5
23 Reading com.	8.6	162	5.3
24 Missouri Pacific	3.6	71	5.1
25 Ontario & Western	2.4	47	5.1
26 Rock Island com.	2.0	39	5.1
27 Southern Railway com.	1.5	31	4.8
28 Canadian Pacific	8.6	183	4.7
29 New York Central	6.2	135	4.6
30 Illinois Central	7.0	152	4.6
31 N. Y., New Haven & Hartford.	7.6	169	4.4
32 Cleve., C., C., & St. Louis com.	3.0	73	4.1
33 Missouri, Kansas & Texas com.	1.3*	42	3.1
34 Chicago, M., & St. Paul com.	4.3	157	2.8
35 Denver & Rio Grande com.	1.2	46	2.7
36 Minneapolis & St. Louis pfd.	2.1	88	2.4
37 Erie common ....	.3	35	.9
38 Wisconsin Central com. ....	.0	53	.0
39 Texas Pacific ....	.0	36	.0
40 Wabash pfd. ....	.0	49	.0
41 Wabash com. ....	.0	20	.0
42 St. Louis Southwestern com. ....	.0	25	.0
43 Minneapolis & St. Louis com. ....	.0	54	.0
44 Duluth South Shore & Atlantic pfd. ....	.0	29	.0
45 Duluth South Shore & Atlantic com. ....	.0	16	.0
46 Iowa Central pfd. ....	.0	53	.0
47 Iowa Central com. ....	.0	29	.0

*Additions and betterments north of Red River not included in these earnings.

**Earnings full amount to which preferred is now entitled, with balance over for common.

INDICATOR

ARE THE BEST PURCHASES NOW

INDUSTRIALS, &c.

BASED ON LATEST OFFICIAL REPORTS

Pos.	Date of report.		Earnings		Price		Earnings	
			on par.	Sept. 10, '09.	10, '09.	on price.	on price.	22.0%
1	June 30, 1909.	Amer. Hide & Leather pfd..	10.8%		49			
2	Mar. 31, 1909.	Amer. Beet Sugar com.....	7.0		44		15.9	
3	April 30, 1909.	U. S. Realty & Improvem't.	9.2		81		11.3	
4	May 31, 1909.	Gloss-Sheffield com.	9.4*		85		11.1	
5	Feb. 28, 1909.	Corn Products pfd.	9.5		87		10.9	
6	June 30, 1909.	U. S. Steel com.	7.6*		80		9.5	
7	Jan. 31, 1909.	Union Bag & Paper pfd. ...	7.1		75		9.5	
8	Dec. 31, 1908.	Inter. Harvester com.	7.8		88		8.9	
9	Mar. 31, 1909.	U. S. Rubber com.	4.3		52		8.3	
10	April 30, 1909.	Amer. Smelt. & Ref. com...	7.7		97		7.9	
11	Dec. 31, 1908.	Am. Can pfd.	6.6		83		7.9	
12	June 30, 1909.	Rep. Iron & Steel pfd.	8.0		106		7.5	
13	June 30, 1909.	Western Union	5.5*		78		7.1	
14	Jan. 31, 1909.	National Biscuit com.	7.4		105		7.0	
15	Dec. 31, 1908.	People's Gas	7.8		115		6.8	
16	June 30, 1909.	Amer. Tel. & Tel.	9.3		141		6.6	
17	Dec. 31, 1908.	National Lead com.	5.7		90		6.3	
18	Dec. 31, 1908.	Amer. Sugar com.	7.5		129		5.8	
19	Dec. 31, 1908.	North American	4.8		82		5.8	
20	June 30, 1909.	National En. & Stamp. com.	1.1		19		5.8	
21	Dec. 31, 1908.	Railway Steel Springs pfd.	5.6		106		5.3	
22	Feb. 1, 1909.	Mackay com.	4.0		81		5.0	
23	Dec. 31, 1908.	Utah Copper (Par \$10).....	23.3		\$49		4.7	
24	Jan. 31, 1909.	General Electric	7.4		165		4.5	
25	Dec. 31, 1908.	Tenn. Copper (Par \$25).....	6.5		\$36		4.5	
26	Mar. 31, 1909.	Inter. Steel Pump com.	2.2		49		4.5	
27	April 30, 1909.	Amer. Car & Foundry com..	2.6		68		3.8	
28	May 31, 1909.	Pacific Coast com.	3.8		104		3.7	
29	Dec. 31, 1908.	Bethlehem Steel pfd.	2.4		68		3.5	
30	Dec. 31, 1908.	Amer. Woolen pfd.	3.7		105		3.5	
31	June 30, 1909.	Amer. Locomotive pfd.	4.0		114		3.5	
32	Dec. 31, 1908.	Central Leather com.	1.3		44		3.0	
33	Dec. 31, 1908.	Consolidated Gas	4.1		145		2.8	
34	April 30, 1909.	Amalgamated Copper	2.3		82		2.8	
35	Dec. 31, 1908.	N. Y. Air Brake	2.4		87		2.8	
36	May 31, 1909.	U. S. Cast Iron Pipe pfd....	1.3		84		1.5	
37	July 31, 1909.	Amer. Steel Foundries ....	.7		57		1.2	
38	Dec. 31, 1908.	Pressed Steel Car pfd.	1.2		107		1.1	
39	Dec. 31, 1908.	Amer. Can com. ....	.0		12		.0	
40	Jan. 31, 1909.	Union Bag & Paper com....	.0		14		.0	
41	Feb. 28, 1909.	Corn Products com. ....	.0		22		.0	
42	Dec. 31, 1908.	Bethlehem Steel com. ....	.0		34		.0	
43	June 30, 1909.	Republic Iron & Steel com...	.0		39		.0	
44	Dec. 31, 1908.	American Woolen com. ....	.0		38		.0	
45	Dec. 31, 1908.	Pressed Steel Car com. ....	.0		49		.0	
46	Dec. 31, 1908.	Railway Steel Springs com..	.0		48		.0	
47	June 30, 1909.	Amer. Locomotive com. ....	.0		59		.0	

*Based on quarterly report.

The Market for Fractional Lots

Why the New York Stock Exchange Offers the Best Facilities

By "THE SCALPER"

A CERTAIN trader who has recently been dealing in fractional lots, both on the New York Stock Exchange and the Consolidated Exchange, gives the following views as to the odds against those who operate in a small way.

"The claim is made that as the market on the Consolidated Exchange is primarily a ten-share market, the small trader can secure better executions on the 'Little Board' than on the N. Y. Stock Exchange.

"My experience proves the contrary. I find that there is a larger percentage against the trader on the Consolidated, and this is why: There is what might be called (from the Consolidated point of view) a good broad market in a half dozen of the most active issues, such as Amalgamated, Brooklyn Rapid Transit, Union Pacific, Reading, St. Paul and Steel. As for the rest of the list, with few exceptions, the Consolidated market is very unsatisfactory.

"I admit that it is often possible to get the same or even a slightly better price for ten shares on the Consolidated than for one hundred shares on the 'Big Board,' but offsetting these occasions are those where you are forced to pay $\frac{1}{4}$ or $\frac{3}{8}$ more or sell for a similar fraction less than the Stock Exchange price.

"If a trader buys on bulges and sells on breaks (which is the opposite of what he should do), he will get better executions on the Consolidated. This is because there are a lot of floor traders on the Consolidated who always sell long and short on a quick bulge and buy on a sudden dip. If Reading is 155 on the little board and suddenly rises to 156 there will be such pressure from traders who wish to sell that the outsider does not get the benefit of the rise.

"On the Consolidated, the floor traders' operations seem to so outrank the business done by outsiders that in the active stocks the latter are at a considerable disadvantage.

"It is even worse in the inactive issues. Frequently there is no market on the Consolidated for many of the industrials and lesser rails; this forces the Consolidated broker to put his order 'over the wire' to the N. Y. Stock Exchange. The customer therefore pays his broker $\frac{1}{8}$ commission and the broker pays the house with Stock Exchange connection another $\frac{1}{8}$ or $\frac{1}{4}$ over the actual cost price of the stock, making $\frac{1}{4}$ or $\frac{3}{8}$ in all.

"Take a stock like Toledo, St. Louis and Western common and suppose a Consolidated broker has an order to buy 10 shares at the market. The stock is $49\frac{3}{4}$ @ 50 on the Stock Exchange, but there is nothing doing in it on the 'Little Board.' The broker goes to a fellow-member of the Consolidated who has an 'underground wire' to the Stock Exchange and says, 'How can you offer me ten Toledo?' The man with the wire finds that he can buy ten shares at 50 on the Stock Exchange, and as he has to pay $\frac{1}{8}$ commission on top of the cost price he says, 'I'll sell you ten at $50\frac{1}{4}$.' The transaction is closed and the purchase reported to the customer whose net cost price, including the $\frac{1}{8}$ commission he has to pay, is $50\frac{3}{8}$. Had his purchase been made through a Stock Exchange house direct the net cost would have been $50\frac{1}{2}$.

"Taking the average of my transactions in odd lots of both active and inactive stocks I should say that it cost me at the very least $\frac{1}{8}$ to $\frac{1}{4}$ more on the round turn to deal on the Consolidated. I think

this is a very low estimate. It is impossible to judge exactly.

"As a rule executions of my orders on the Consolidated were a little more expeditious than on the Stock Exchange. I understand that my broker on the 'Little Board' used the hand signal code, the same as is in vogue on the Chicago Board of trade and the New York curb. By this method he can send a broker into any crowd, get a quotation, give an order and secure a report without any verbal or written communication. This makes it possible to execute and report orders in less than a minute, but of course in the ordinary routine a longer time is consumed.

"This method is impossible on the Stock Exchange because the telephone booths are shut off and in order to give the signal the telephone boy on the floor must be able to see over the heads of the crowd. However, when a Stock Exchange man really tries he can get reports back to the office in less than a minute.

"My odd lot orders on the Stock Exchange were usually executed satisfactorily, especially in the active stocks. Sometimes I did better than other people in the same office who were trading in hundred-share lots and whose orders went in at the same time as mine. I could see by the tape what the bid and asked price was and usually I would get the closest kind of executions.

"In order to prove how I was being treated I would sometimes get a quotation on a stock before placing my order. If the market was $\frac{1}{8}$ @ $\frac{1}{4}$ and I wanted to sell, I would generally get the eighth, and if I was buying, the report would usually come at $\frac{1}{4}$.

"Of course the market might change in the meantime, in which case I would get the benefit or the disadvantage, according to circumstances. No one could ask anything better than this, BUT—there is too long an interval between the time of giving an order and the receipt of a report by the odd lot trader.

"Having held the watch frequently on both odd lots and hundred-share lots. I should say that it takes twice as long to get a report on a small lot as on a hundred shares. I understand that this is due to such orders being handed to the pages on the floor, who take them in to

the odd lot dealers in the various crowds. The dealers fill the orders and send the written reports back by the pages.

"Now in the case of hundred-share lots or multiples, the floor member of the firm goes to the telephone booth, is handed the order, executes it and either brings back the report himself or sends it by a page.

"It will be seen that the chief advantage lies in the personal attention given the round lot by a firm member who is doing his best to secure the best possible price for his customer.

"The disadvantage under which the small trader labors is that his orders usually are sent to a dealer who is trying to buy as low and sell as high as he can."

"When the transaction takes place the small trader as a rule has no one on the spot to represent him.

"He is entitled to representation and personal attention to his orders so far as it lies within the power of the floor member, just as much as the larger trader is entitled thereto.

"There are probably some firms who give this kind of service in odd lots, and it is well for the small trader whose account is active to make sure whether he is getting it or not. This may be done by inquiring of the firm and by timing the executions. If it takes two minutes to secure a report there is reason to believe that the firm's floor member is handling the orders; if four or five minutes are required, it may be assumed that he is not. The above holds good, roughly speaking, in ordinary markets. In extremely active times even the hundred-share traders are lucky to get reports in five minutes.

"One can not expect, in any kind of a market, that the floor member will neglect large orders for smaller ones; but in justice to the man who, stock marketwise, is a 'little fellow,' and whose holdings are the same, in proportion to his capital, as the larger trader, it seems to me he is entitled to a larger share of attention than he has heretofore received.

"Bucketshops have been practically eliminated in this country. Nearly every State, with the exception of Colorado, has passed laws making buckethopping a felony. The bucketshop keeper can stand a fine, but he don't care about

spending a few years behind the bars. So he has sought other employment for his capital and energy. This has thrown all the odd lot trading into the legitimate exchanges. 'Odd lot houses' are increasing on the Stock Exchange and the great majority of commission houses now accept orders for ten-share lots and up on margin. The wiping out of bucketshops has therefore given the small trader a standing which he has never heretofore enjoyed. Competition among odd lot houses and the realization by brokers that the ten-share man of to-day is the hundred-share customer of the future will secure further advantages for the small trader.

"In the old days it was a well known fact that many people passed by the

legitimate Stock Exchange houses and did their trading with bucketshops where they could trade 'off the board': viz., if St. Paul was 155 on the quotation board they could buy or sell at that price. This was the acme of good, quick service—something beyond the power of any legitimate house. As the trade now stands I do not know where such service can be had.

"The best odd-lot service to-day therefore is that of a New York Stock Exchange house whose floor member executes fractional orders *himself*. It is with such a house that the small trader will find himself practically on a parity with those who deal in hundred-share lots or more."

A Successful Scalper

"ONE of the most scientific and successful scalpers I ever knew," said a well known Wall Street man, "was until recently the head of a large brokerage concern.

"He won his first success trading in bucketshops in a large interior city. This was some twenty years ago, when bucketshops were more numerous and prosperous than now.

"He had learned a trick of the market and he played that and that alone. He would watch the market and read the tape for days in succession without making a trade. Then when some stock, after a period of inactivity, would start up or down on heavy transactions late in the session, he would buy or sell. In the majority of cases the stock would go farther in the same direction the next morning. He would then promptly cash in his profits and wait for another similar opportunity.

"To my certain knowledge he took out of one bucketshop upwards of \$40,000, and was then requested by the proprietor to stop trading there. He became somewhat famous as the only man ever known to beat a bucketshop. I re-

member one case where he sold a stock short at the close of a session on a ten-point break. The bucketshop manager thought it was certainly safe to take the trade after such a break, but the stock opened over six points lower the next morning and 'Bucketshop Jack,' as he was then called, made a big profit.

".....you, Jack!" said the bucketshop man, "if you ever come around here again I am going to kick you out."

"Finally none of the bucketshops would take his trades and 'Bucketshop Jack' was forced to turn respectable and join the local Board of Trade in his city. He opened a commission house, and after a somewhat varied career, was admitted to the New York Consolidated Stock Exchange and for years did a large business.

"He was never able to make his pet method work as well on the exchange as in the bucketshops. Nevertheless he continued to be a successful trader and accumulated a considerable fortune.

"His profits were largely due to his patience in waiting for exactly the opportunities he wanted and then taking his profit at the first sign of a change in the market."

Convertible Bonds and Gold Production

By William Walker

THE increasing popularity of convertible bonds has led to frequent discussion of them in the financial press, explanations of technical points and descriptions of their double character, but generally speaking this discussion has been of a somewhat superficial character.

The principal reason for the desirability of convertible bonds at the present time lies in the continued increase in the production of gold. This has been mentioned by one or two financial writers but has not, so far as we have noticed, been clearly brought out.

To appreciate the connection between convertibles and the gold supply, it is necessary to understand thoroughly the effect of the increasing production of that metal. As to the fact of this increase there can be no doubt. The discovery of new mines and of improved methods of working low grade ores has resulted in a much more rapid increase in the supply of gold than in population.

The United States, for example, mined in 1892 1,597,000 ounces of gold; in 1908 about 4,660,000 ounces. The production of gold in the Rand mines has shown an even greater proportional advance, and the increase in other parts of the world has been notable.

THE ARGUMENTS PRO AND CON

Political economists are divided as to the effects of the increasing production of gold on prices. Both sides of the case will be stated briefly here. One party—much the more numerous—argues substantially as follows:

Gold is a commodity, just as much as potatoes or wheat. The only reason we use it for money is that it is

more convenient for that purpose than potatoes or wheat or any other article. A certain weight of gold is coined in a single piece and called a dollar merely to save the trouble of weighing the gold every time it changes hands.

The only reason the farmer does not exchange his potatoes directly for a suit of clothes, without using money, is that it is more convenient to use money. Barter was formerly common enough in this country and still survives to some extent.

Suppose the potatoes were exchanged for the clothes without the intervention of money. With an ordinary crop ten bushels of potatoes, let us say, buys a suit of clothes—that is, the price of clothes in potatoes is ten bushels. Would any one assert that, if a double crop of potatoes was raised, owing to especially favorable weather, freedom from pests, etc., the price of a suit of clothes in potatoes would still be ten bushels? No, indeed! Other conditions being equal, the price of clothes in potatoes would then be twenty bushels.

Likewise, say these economists, if the supply of gold, owing to the discovery of new mines and improved methods, is doubled, it will take, other conditions being equal, twenty dollars to buy a suit of clothes which previously cost only ten dollars. The value of gold in the world's markets is governed by supply and demand, just like the value of any other commodity. If the supply of gold doubles it will take twice as much of it to buy the same thing—in other words prices will be doubled.

The value of gold, however, changes slowly because it is practically inde-

structible and there is an immense stock on hand. But even this fact cuts both ways, because gold is not consumed in the sense that potatoes or clothes are consumed. The amount of gold destroyed yearly is very small compared with the amount produced, so the supply keeps piling up.

Moreover, the fact that a greater supply of gold results in higher prices is proved, this school of economists asserts, by the history of prices. As an instance of this may be mentioned the rise in Bradstreet's index of average prices of commodities from 5.9124 for the year 1896 to 8.9045 for the year 1907.

THE OTHER SIDE

A few economists take issue with the above argument. They say that the business of the country uses only as much money as it needs and that any surplus above its needs is left lying idle in bank or government vaults or elsewhere.

You and I, they say, are not going to carry more gold in our pockets or safety vaults simply because there is more gold being produced. We care nothing about that. We carry or keep on hand a certain amount of money because we need it to facilitate our business—it is nothing to us how much is produced.

If business is dull and therefore the amount of money-work to be done is small, surplus cash will pile up in bank and government vaults where it will have no effect on prices. When the activity of business increases or when prices advance, more money will go into circulation—not because the money is there, but because business now has a use for it.

A sponge will take up no more water out of a barrel than it will out of a pan. Just so the business of the country will take up just as much money as it wants and no more, no matter how great the supply may be.

True, there have been improvements in the methods of mining gold which have increased the production, but this is equally true of nearly every other commodity. In fact the cost of production of some articles has fallen

ten times as much as the cost of producing gold.

The increased production of gold, they say, is a result, rather than a cause of advancing prices. Prices rise because of the enormous increase in the buying power of the people. Owing to improved methods, more effective machinery, cheaper transportation, etc., the productive power of each individual has been multiplied several times within recent years. This means that each person buys more and the increased demand results in higher prices. Higher prices require more money—the sponge will now take up more water—and this demand is met by an increased production of gold.

Like the other faction, these reasoners point to history for the confirmation of their theory. During the dull times of 1893 to 1896, for example, the production of gold increased but prices fell, reaching their lowest point in 1896, while bank vaults were bursting with idle reserves.

WHICH IS RIGHT?

To the writer the truth seems to be that, as is often the case, both sides are right.

As increased production of gold beyond what is needed for the transaction of the country's business does not immediately affect prices and may not affect them for some years. But the presence of large reserves in bank vaults, with the consequent reduction of interest rates, is a constant invitation to speculators for a rise in both stocks and commodities. It is easy to finance such ventures in a cheap money market.

Easy money also stimulates industry in all directions, as it helps manufacturers and merchants to borrow freely and extend their business by the aid of credit. This increased activity, both in speculation and in general business, gradually brings higher prices.

Once prices are started on the upgrade, the ultimate limit will be the cash reserves of the banks; for the banks, anxious for business, loan up to the limit of their reserves.

In other words the increased production of gold has the same effect as

raising the "limit" in a poker game. The betting grows more fast and furious until the limit is reached—the amount of gold in bank reserves.

Indirectly and over a period of several years, the increased production of gold must have its effect on prices by encouraging speculation and permitting a greater extension of credit. Both deductive reasoning and the facts of experience seem to make this clear.

As the *London Statist* puts it, "There is no room for doubt that the continuously increasing output of gold is not only shortening the period of depression which always follows a grave crisis, but is prolonging very greatly the period of economic prosperity which inevitably succeeds a great depression. . . . We have every right to anticipate that the new period of prosperity will be a prolonged one. It will be so because the new gold will enable the banks to maintain adequate gold reserves."

EFFECT ON STOCKS AND BONDS

Now so long as interest rates continue low, both stocks and bonds will advance as the result of higher prices for commodities, since higher prices for the products of a company mean more business and larger profits. But when the "limit" is reached and banks raise interest rates, the effect on bonds is exactly opposite to the effect on stocks.

Stocks are equities—the owner of a share of stock is a part owner of the business. So long as the business improves his profits increase. But no matter how much money the company may make the bond holder is entitled only to his fixed rate of interest. When interest rates rise so that he can get a better return on his money elsewhere, he sells his bonds. Thus rising prices and rising interest rates—which, speaking broadly, are sure to come together—result in higher prices for stocks and lower prices for bonds.

DOUBLE ADVANTAGE OF CONVERTIBLE BONDS

Briefly, a convertible bond is a bond bearing a fixed and definite rate of interest like any other bond; but which may, at the holder's option, be ex-

changed for stock, which will then share in the profits of the company, whatever they may be. This exchange is made under conditions as to price, date, etc., which are explained in the bond itself.

Thus, the holder of a convertible bond has a double advantage. If business becomes dull and interest rates decline he is sure of the interest called for in his bond, and if the bond gives a better return on the money than the market rate his bond is likely to rise in price.

If, however, business improves and interest rates rise, the price of the stock into which his bond is convertible will rise also and will carry the price of his bond up with it. It is almost a case of "heads I win, tails you lose."

This is the principal reason why the convertible bond should at the present time prove especially attractive to the general investor. The investor has read something about this increased production of gold, rising prices, and their probable effect on the price of bonds. He does not, as a rule, feel sure that such theorizing is correct; but if he buys a convertible bond he is safe in either case, for if the stock goes down the bond will not go with it to a point below its value as a bond alone, but if the stock goes up the bond must follow it.

It is unnecessary to say that convertible bonds have no special advantage for the speculator, or the man who endeavors to foresee and take advantage of future conditions. If the speculator foresees dull business conditions an ordinary bond will probably be better for him than a convertible, as the convertible is likely to sell relatively higher than the regular bond because of possible profits from the conversion. On the other hand if the speculator foresees improving business he can probably make more money buying the stock instead of the bond.

At the present time it is generally believed that we are on the eve of several years' active business. If so, all sound stocks should tend to advance in price and convertible bonds

should advance proportionately with the stock into which they are convertible. Nonconvertible bonds might naturally be expected to maintain themselves well so long as money continues easy, but tight money might be expected to cause a gradual decline in the prices of such bonds.

The possibility of being caught by a decline in the price of bonds as a result of rising interest rates, may be avoided by a careful selection of convertibles which, in such case, would in all probability be sustained by an advance in the price of the stock into which they are convertible.

POINTS IN BUYING CONVERTIBLES

In many cases the stock is selling so far below the price at which the bond is convertible that the bond differs little from any other bond. This is likely to occur still oftener as convertible securities grow in popularity. That is, corporations issuing bonds will be likely to try to get the advantage of the popularity of convertibles by giving the name "convertible" to bonds which are, for all important purposes, non-convertible.

On the other hand if the convertible privilege is really valuable the investor should consider what induced the company to issue such bonds. Is the credit of the company beyond cavil? It is true that some of the strongest railroads in the country have issued convertible bonds which have brought large profits to the purchaser through the exercise of the privilege of conversion. In some cases the reason for

their doing this has not been clear to the "man in the street." But generally speaking if a valuable privilege is offered there is a reason for the offer and the investor should know what that reason is.

In some cases convertible debenture bonds are issued instead of preferred stock, for the reason that the bonds of a small or little known company will have a wider market than the stock. Other companies aim at the reduction of fixed charges which will eventually result from the conversion of the bond into stock.

Convertible securities contain an almost endless variety of different provisions and the investor should be careful to familiarize himself thoroughly with the bond he decides to purchase. Instances are common where considerable money has been lost by the failure thoroughly to understand the limitations of the convertible privilege as set forth in the bond.

There have been and still are curious anomalies in the prices of convertible bonds. Some issues have sold at prices leaving very small interest returns and at the same time above their conversion parity. Other issues have sold at prices which appeared to be unreasonably low considering the speculative possibilities of the stock into which they were convertible. In general the speculative element in convertibles leads to greater fluctuations of prices and consequently greater opportunities for the discriminating investor.

Idle Car Figures

By Roger W. Babson

IDL E car figures have been available only for a short time and therefore investors and merchants have as yet given but little attention to this subject. Moreover they are of direct interest only in forecasting business conditions, as explained under the head-

ing of "Railroad Earnings." In other words, idle car figures bear the same relation to railroad earnings as the Government crop estimates bear to the total figures compiled after the crop has been gathered.

These idle car figures are collected by

the American Railway Association which receives every two weeks from each railroad the number of their surplus cars or the number of the cars they are short, as the case may be. Of course no one railroad will report at any given time both a surplus and a shortage; but it is very natural for certain roads in certain localities to have a surplus; while other roads in an entirely different locality may report a shortage. All of these "surpluses" and "shortages" are combined and reported in a total by the Association once in two weeks.

As in the case of exports and imports it is the balance, namely the "net surplus" or "net shortage" that the investor or merchant watches with interest. It takes about six weeks for a car to be taken from the siding, looked over, loaded, delivered, unloaded and the revenue received. Then as the railroads do not publish the earnings of a car for about a month or more after they are received, it may be three months after a car is taken from the siding, before the earnings of that car appear in the monthly statement. Conversely, it is also true that when a car is returned to the siding, the effect of taking it out of service will not show in the published earnings for perhaps three months thereafter.

By tabulating idle car figures therefore their study enables the investor and merchant to forecast an increase in railroad earnings almost three months before it matures, and likewise to forecast a decrease in railroad earnings almost three months before it occurs. As railroad earnings are such an excellent barometer of trade conditions, idle car figures serve as a most valuable factor in forecasting mercantile conditions.

Note: The American Railway Association divides its report into eleven divisions with a minimum of 155 roads located as follows:

	No. of roads.
New England	8
N. Y., N. J., Md., & E. Pa.	22
Ohio, Ind., Mich., & W. Pa.	20
Va., W. Va., No. Car., & So. Car. .	10
Ky., Tenn., Miss., Ala., Ga., & Fla. .	19
Iowa, Ill., Wis., Minn., No. Dak. ...	27

Mont., Wyo., Neb., & So. Dak.	3
Kans., Colo., Okla., & I. T.	15
Ore., Idaho, Cal., Nev., & Ariz. ...	18
Canadian Lines	3

Total 155

The following conclusions are suggested relative to "Idle Car Figures":

(Idle car figures are of great value to both merchant and investor as they forecast earnings. When the actual earnings are published it is often too late for the investor to profit thereby as their effect has already been discounted. This, however, does not apply to idle car figures.)

1. *During a Period of Business Depression.*

(a) An increase of idle cars signifies that conditions are not yet improving.

(b) A decrease signifies that a change for the better may be expected.

(c) No change signifies that caution is still necessary.

2. *During a Period of Improvement Following a Period of Depression.*

(a) An increase in idle cars signifies that the improvement may be temporarily checked.

(b) A decrease signifies that the improvement is progressing very satisfactorily.

(c) No change signifies that caution is still necessary.

3. *During a Period of Prosperity.*

(a) An increase in idle cars signifies that a change for the worse may be expected at any time.

(b) A decrease signifies that prosperity may be expected to continue a while longer.

(c) No change signifies nothing unsatisfactory.

4. *During a Period of Decline Following a Period of Prosperity.*

(a) An increase signifies that conditions are daily becoming worse.

(b) A decrease signifies that a temporary check may be expected in the decline.

(c) If there is no change the figures need not be considered.

The Investment Digest

FOLLOWING is a list of publications, etc., from which this Digest is prepared. The number representing each authority will be found in brackets at the end of the items. Where the name of a banking or brokerage house is given the matter is taken from their special letter or circular: (1) *Wall St. Journal*, (2) *Boston News Bureau*, (3) *Journal of Commerce*, (4) *N. Y. Commercial*, (5) *N. Y. Eve. Mail*, (6) *N. Y. Eve. Post*, (7) *Com. and Fin. Chronicle*, (8) *Financial World*, (9) *Railway World*, (10) *U. S. Investor*, (11) *Wall St. Summary*, (12) *Commercial West*, (13) Hayden, Stone & Co., (14) John Moody, (15) Eugene Meyer, Jr., & Co., (16) Thomas Gibson, (17) J. S. Bache & Co.'s *Weekly Fin. Rec.*, (18) W. C. Langley & Co., (19) Wrenn Bros. & Co., (20) *Boston Fin. News*, (21) Robt. Goodbody & Co., (22) *Moody's Mag.*, (23) *London Statist.* (24) Swartwout & Appenzellar, (25) Kissel, Kinnicutt & Co., (26) Alfred Mestre & Co., (27) *N. Y. Eve. Sun*, (28) *N. Y. Times*, (29) John Muir & Co., (30) *N. Y. Journal*, (31) *N. Y. Morning Sun*. Neither THE TICKER nor the above authorities guarantee this information, but it is from sources considered trustworthy.

Am. Agri. Chemical.—Report says in order to prov. additional work'g cap., auth. issue of \$12,000,000 1st mtg. 5 p. c. 20-yr. g. bonds conv. into pfd. stk. at par. On Oct. 1, 1908, \$8,000,000 of these bonds sold and pro. used to retire entire outst. bills payable of co. No money has since been borrowed (11).—Last an. report by far best issued. Shows co. able to earn good perc. on com., comp. small bonded debt, and ample work'g cap. Divs. on com. not in line with conservative policy pursued. (1).—Yr. end. June 30, net profit \$2,394,498, inc. \$237,621. Pmt. pfd. divs. and deductions \$1,178,129 for disc., deprec., etc., left surp. \$99,412, dec. of \$941,855 from prev. yr.

Am. Beet Sugar.—Yr. end. Mar. 31, best ever, approx. 7 p. c. earned on com. Paying off \$3,000,000 notes June 1 last precl. likelihood of com. div. this year. (1).—Co. in perhaps best fin. pos. ever occupied, as reflected in price of com. stk. Unless unexpected change in policy, it will be some time before divs. decl. on com., as it seems wisest to conserve resources. (2).

Am. Can.—Has never shown net earnings that would justify inc. over present quar. rate of 5 p. c. per an. on pfd. The fin. and physical condition better than before, however, and rumors formulating plan to pay off accum. divs. on pfd. stk., which amt. to 28¾ p. c., also to retire a large amt. of stk. by issue of bonds (1).

Allis-Chalmers.—Indications are will not be a long while until company makes some return on preferred. Stock is 7 p. c. cum. No disb. made since February, 1904, unpaid accum. divs. now amt. to 40¼ p. c. Div. on com. too remote to be considered (1).—The great foundry in W. Allis, 1,000x259 feet in size, is to be dup. at once on a site adjacent the present structure. A boom in business greater than has ever before experienced predicted for next yr., and plant to be placed in readiness for it (3).

Am. Cotton Oil.—Outlook for inc. in com. div. rate, in view inc. biz. Such action not till Nov. mtg., when full yr.'s results known (1).—Known that company earned fully 10 p. c. applicable to common year ending August 31. Any falling off in supply of oil which may result if shortage in cotton crop would be made up by resulting higher prices. Co. has avail. surp. supply of 350,000 bbls. on which could profit largely. Biz. very large, outlook exceptionally good (11).

Am. Car & Foundry.—During past 4 mos. co. has booked orders for \$35,000,000 of cars, almost eq. to entire gross output during all fisc. yr. end. Apr. 30 last and at rate greater than record yr. of '07-8 when gross earn'gs totalled slightly more than \$100,000,000. Steadily increasing its perc. of steel cars. Four out of 17 plants eq. to build steel cars and this will be inc. by one or two. During last 3 or 4 mos. est. R. R.'s of U. S. placed orders for rising 65,000 cars. Controlling as it does better than 50 p. c. of the industry, Co. has booked consid. over half these orders. In a normal yr. R. R.'s should order over 300,000 freight cars; in '08 only 62,000 were ordered. Biz. recently booked has therefore exc. entire '08 vol. of new orders. Gradual betterment in prices (2).

Am. Hide & Leather.—Such an accum. of back divs. on pfd. since 1905 that even with imp. in biz. will require some time to wipe the slate clean (2).—A Boston banker says: "Last fisc. yr. will show an inc. in work. cap. of at least \$2,000,000, all of which must have come from earn'gs, as no new financing. The imp. in co.'s credit very noticeable" (2).—Year end'g June 30 earned between 11 and 12 p. c. on preferred stk. Best showing ever made. This is outc. of comb. of favorable factors, chiefly the purchase of large stk. of low-priced hides and other raw materials which were mfd. into high-priced leather. Leading director says: "Some talk of div. on pfd., but this is a very remote prob." (1). Earn'gs

on pfd. over 10 p. c. No doubt of devel. of subst. val. in pfd., primarily through accum. of assets, and eventually through distrib. of earn'gs (13).

Am. Locomotive.—Biz. much better than last yr., very slight chance of divs. on com. before next yr. (2).—Gross and net sales fisc. yr. end. June 30 smallest in history. Net for divs. actually less than amt. req. to pay 7 p. c. pfd. In fact, reliably stated co. did not earn over 4 p. c. on pfd. Co. has maturing 1st of Oct. \$1,000,000 5 p. c. notes, part of an issue of \$5,000,000 and which will be paid off by drawing upon the current resources of the co. for an equiv. amt. (2).—Auth. \$5,000,000 5 p. c. g. deb. notes to reimburse treas. for imp. and for work'g cap. (11).

Am. Malting.—As regards prosp. inc. of present rate of 5 p. c. on pfd. to 6 p. c., to which it is limited: Whereas earn'gs of oper. co. sufficient to justify such action, conserv. int. in control opposed to making any change from present rate until shown that higher rate can be maintained. No prospect of div. on com. for some yrs.

Amalgamated Copper.—Amal. Copper is paying 2 p. c. a yr., and earn'gs on 13c. copper would warrant an inc., but it desires to reimb. itself for outlays during dep., and holders may not get inc. till early next yr. (2).—With possible earn'gs on present copper mkt. of \$3.35 per sh., Amal. at 85 or thereabouts is an anomaly. The expl. must lie in the broad distrib. which Amal., as well as many other sec., has had since panic. Ownership of Amal. in stks. of constit. cos. rep. an equity in 190,000,000 lbs. of copper at present rate of an. output. On this copper there is a prof. of ab. 2¼c. per lb., or eq. to \$3.35 per sh. (2).

Am. Steel Foundries.—Semi-officially stated co. for fisc. yr. end. July 31 showed an imp. in net earn'gs of about 15 p. c. comp. with prev. yr. Mills running 75 p. c. of full cap. (11).

Am. Sugar Ref.—Scant likelihood of inc. in pres. rates. Last yr. earned only .2 of 1 p. c. over its 7 p. c. divs. Est. recent disastrous legislation will cost close to \$5,000,000. Clear that co. must conserve resources.

Atchison.—Fisc. yr. just closed, gross \$94,265,700, comp. with \$94,343,300 in '06-7, the best yr. in history. Net past yr. \$6,782,600 better than 1908, and \$1,197,900 ahead of prev. high record. Int. chgs., rentals and taxes \$3,500,000 larger than 1907, so final net not so favorable. In 1907 co. earned 15.02 p. c. on com. stk. and last yr. 13.5 p. c. So far has the Atch. progressed in its return to prosperity. Since 1907 522 miles added. When new mileage reaches full earn'g power, even without a continuation of prosperity which has favored the Southwest during last ten yrs., Atch. will easily show in normal yrs. 20 p. c. on stk. (9).—1909 fisc. yr. earned 13¼ p. c. on com., every prosp. that this record will be exceeded this yr., though co. has outst. \$21,-

000,000 more com. than a yr. ago, due to conversion. As bonds this \$21,000,000 sec. cost 4 p. c., while as a 6 p. c. stk. the inc. in chgs. would be about \$425,000. In addition co. just completed sale at par of \$25,000,000 4 p. c. conv. bonds which adds \$1,000,000 more of chgs., so that at a min. int. and divs. req. for 1910 will be about \$1,500,000 greater than '09 (2).

Am. Tel. & Telephone.—Meeting with fairly satisf. response to offer to exch. its stk. for stks. of Bell of Penn., N. Y. & N. J., Bell of Buffalo and Cent. Dist. Teleph. Cos. Between a third and half of these turned in for exch. Offer exp. last of Aug.; will not be extended, and basis of exch. will not be changed in order to tempt outst. st'kholders (2).—"New England will be surprised some day to learn extent rest of U. S. and Europe, have bought this stk. In Europe particularly there is constantly growing appreciation of invest. worth and thousands of shrs. are in strong boxes of English and continental investors where a few years ago the supply was almost negligible. In other cases, foreign buyers have purch. Teleph. and are having it carried for them in N. Y. Teleph. shrs. today have the greatest distrib. of any time in their history; assertion may be made that fin. affairs of co. now have, to a considerable extent, a nat. scope correlative with nat. character of its business" (2).

Am. Woolen.—About middle of Aug. co. cleaned up mkt. of Montana wools, by purch. of 25,000,000 lbs. Est. in four mchts., Boston, Phil., Ch'go and St. L. over 50,000,000 lbs., or about 18 p. c. of domestic clip, disposed of at that time. Of total Am. clip of between 300 and 310 million lbs. this yr., Boston dealers sec. 200. Of this already sold to consumers 50 p. c. to 60 p. c. As a rule dealers not sold up to this extent till middle of Oct. In fact, considered satisfactory if sales by middle of Aug. amt. to 10 p. c. to 15 p. c. of total holdings. Recent issue of 50,000 pfd. shrs. offered at par to pfd. and com. holders, practically all taken by them. Few shrs. coming to synd. have been sold (2).

Balt. & Ohio.—Between \$6,000,000 and \$7,000,000 is called for in the contracts closed for rails and equip., and those pending will carry total beyond \$10,000,000 (28).

Bethlehem Steel.—Paying nothing on pfd., and in view of vast outlay in connection with new const., no divs. can be expected for some time (2).—All deptmts. with exception of ordnance plant in full oper. Demand for corp.'s struc. shapes continues brisk, and sales being made on basis of \$1.50 per 100 lbs. Orders on books will keep plant in oper. for sev. mos. Co. forced to refuse structural biz. ac. of pressure of orders. Has closed several imp. rail contracts. Under consid. issue new sec. for enlarging steel cap. (1).

Brooklyn Rap. Transit.—Record total of 2,000,000 passengers carried one Aug. Sunday, netting, with allowance for transfers, \$82,500. Earn. not large enough to justify

inc. in div., but make easy pres. rate. Seems as though running on narrow margin in paying 4 p. c. div., but surp. a real one and not built at exp. of condition (2).—Fin. cond. very satisf., efficiency better than at any prev. time. Ind. surp. after 4 p. c. nearly \$1,000,000 (13).—Bal. sheet shows assets \$3,224,768, cur. liab. \$6,948,312, an excess of cur. liab. over cur. assets of \$3,700,000. Prin. changes in assets June 30 last are inc. of \$1,000,000 in adv. for const.; and expan. of abt. \$3,300,000 in treas. bonds; and dec. of approx. \$1,200,000 in cur. assets, while imp. changes in liab. are inc. of some \$4,400,000 in bonded debt and real est. mtgs.; a dec. of abt. \$400,000 in current liab.; and a red. of \$600,000 in bills payable (11).

Brooklyn Union Gas.—Pres. says no inc. in div. rate has been contemplated (2).

Brunswick Co.—Co. owns over 3,000 acres of unimp. land, 3,000 city lots, upon some of which buildings have been erected, and a long water front, all of this prop. being sit. in and around Brunswick, Ga. Plans perfected for acq. of entire cap. stk. of light and water co. and all stk. and bonds of Street Railway Co. Other negotiations in progress will greatly benefit entire community, though management keeping own counsel. Present cap. \$5,000,000, par \$100. Prop. to double this. 20,000 shrs. new stk. to be issued. Will leave unissued 30,000 shrs., for further corporate purposes (10).

Canadian Pacific.—Asst. to V. P. says co. will be in better shape than ever before to handle west'n wheat crop. He says conditions never looked more prom. and is confident that earn'gs during fall will eclipse all prev. records. Earn'gs Aug. will be largest month in history (2).—Yr. end. June last surp. for div. \$14,955,000, which eq. to abt. 8.5 p. c. on \$150,000,000 com. Comp. with \$14,796,922 in 1908 and \$18,376,000 in 1907. Gross for last fisc. period largest in history, aggreg. \$76,300,000, inc. of \$4,900,000 or 7 p. c. over '08 (11).—In addition to divs. on the com. 1 p. c. was decl. from int. on land funds. Work. exp. for yr. 69.92 p. c. of gross, comp. with 69.47 p. c. yr. prev. Acquirem't of maj. of com. of Wis. Cent. by "Soo" and agmt. for lease of that co.'s ry. for 99 yrs. at 4 p. c. per an. on pfd. stk., am'ting to \$12,500,000, of which \$1,232,895 in co.'s treas. will materially benefit Soo Co., in which C. P. has such a substantial int. During yr. agric. land sold 376,046 acres, at avge. of \$13.52 per acre, but this incl. 69,963 acres irrigated land that brought avge. of \$24.71 per acre. If this area be deducted from total sale, avge. price realized from bal. of lands \$10.96 per acre. P. and loss surp. \$35,164,830, comp. with \$30,390,202 June 30, '08. Cash on hand \$21,078,812, comp. with \$18,821,630 prev. yr. (11).

Cen. of Georgia.—With dec. in gross, and adv. in taxes and greater exp. for maint., co. inc. net for '09 20 p. c. over '08. Trans. costs cut 16.75 p. c. 1st 12 mos. under Har-

riman tutelage. Despite these facts net next to largest in history (1).—Judge sustained finding of auditor in case of holders 3d inc. bonds, except as to int. on int. Acc. to auditor, the third inc. bonds were entitled to int. in '07, and int. on unp'd int., out of net inc. for yr., incl. net earn'gs of Ocean S. S. Co., whose stk. entirely owned by C. of Ga. Co. claimed right to devote these earn. to bett. of its prop. Holders of bonds in question say this was test case. Decision covers 1907 only, and will serve as precedent for determ. rights of these bonds thereafter (2).

Central of N. J.—Well supplied with money this might influence division of prof. beyond an inc. in div. rate to 10 p. c. An inc. in J. C. divs. would mean great deal to Rdg. stockholders. Rdg. controls J. C., owning \$19,000,000 of its stk. 10 p. c. rate on J. C. might lead to inc. in Rdg. div., or some extra distribution (9).

Central Leather.—St'kholders at spec. mtg. voted for changes in charter, which will make charter identical with U. S. Leather Co. Will overcome objections found to absorption of U. S. Leather Co. by Cen. Leather by N. J. Court. Only obstacle is objection raised by minority st'kholders of U. S. Leather under leadership of J. B. Colgate & Co., who say back divs. should first be paid to them. Rep. of Colgate & Co. refused to discuss what further steps minority st'kholders may take to block merger. Filed articles Aug. 20 in N. J. enlarging co.'s charter powers. Under enlarged powers co. auth. to acq. stk. and sec. belonging to other corps. This is intended to facilitate consol. (27).—Though Cent. Leather has offered min. st'kholders of U. S. Leather concessions am'ting to \$10 a sh. over their original offer, as an inducement to withdraw opposition to merger, min. st'kholders will continue fight in courts to prevent consol. Sp'l mtg. U. S. Leather called for Sept. 19. Cent. Leather offers the U. S. Leather min. holders for their stk. 50 p. c. in 5 p. c. bonds co., 50 p. c. in 7 p. c. pfd. stk., 23½ p. c. in com., and \$10 in cash for each sh. In another alternative plan the offering of bonds and pfd. stk. is same as under original offer, but additional amt. cash to be left to court, cost to be borne equally by opposing interests (11).

Corn Products.—Another cut made in goods handled by co., 5c. to 25c. p. 100 lbs. on lump starch, glucose, grape sugar and mill starches. This follows several recent red., amtg. to 15c. p. 100. Co. also announced to trade that it has decided to sell goods on shorter guarantee terms for deliv., say 10 days instead of 30. The action of the corp. is taken to mean a determination to meet inc. competition, which promises to become more aggressive in future and control fair sh. of the business. In other words, an aggressive trade war has been decl. bet. the Corn Prod. and its competitors (3).—High official states prod. approx. 75,000 to 80,000 bu. daily. When Summit plant compl.

and in oper., output will approx. 100,000 bu. daily. This plant, which cost several million dollars, will be in oper. in Oct., while refining process will be begun about Jan. 1. Pres. stated some time ago he was against pmt. of arrears on pfd. div. and pmt. of full 7 p. c. divs. on the pfd. With the prod. largely exceeding the demand, as at present, and prices at lowest level for yrs., earn'gs will be affected to such an extent that Pres.'s position will have to be maintained for some time. It is consid. unlikely that his co. at next div. mtg. will decl. a pfd. div. in excess of 4 or 5 p. c. rate. Understood suit vs. co. for \$30,000 for back taxes by State of N. J. will be averted by compromise (11).

Chicago & Alton.—Earned 6½ p. c. last fisc. yr. Now paying 4 p. c. Should earn more this yr. in view of record-breaking corn crop, as traverses richest parts corn belt of Ill. At ruling prices Alton com. possesses greater attractions than any other West. R. R. stk., paying 4 p. c. (8).

Chicago, Burlington & Quincy.—For 6 yrs. av'ged close to 12 p. c. stk. Past yr. nearly that. Actual earn'gs stk., on basis of ordinary maint. allowance, have in sev. yrs. exceeded that by 30 to 50 p. c. Even without restrict'g maint., can hardly fail to show still more for cur. yr. No doubt that Gt. No. and No. Pac. could collect from Burl. bet. \$5,000,000 and \$6,000,000 a yr. in excess of pres. div., which merely takes care of int. on the joint bonds. To inc. div. would be simple, but high divs. and militant legis. and comm. do not dwell in amity (2).

Ch'go & Great West.—Ch'go Gt. West. Ry. property purch. under forecl. sale Aug. 21 for \$12,000,000 by Fred H. Gardner and George W. Stevens, rep. J. P. Morgan & Co., mgrs. of reorg. (11).—Attorneys have filed in Minn. incorp. papers of Ch'go Gt. West. R. R., cap. \$13,171,200. Sale marks final step in disch. of receivership and begins new era. The following is substance of plan of reorg.: Holders of deb. rec. 110 p. c. in new pfd.; pfd. A holders rec. 120 p. c. in new com.; pfd. B holders are assessed 15 p. c. and rec. 60 p. c. in new com. and 15 p. c. in new pfd.; while com. st'kholders, also assessed 15 p. c., get 40 p. c. in new com. and 15 p. c. in new pfd. Pfd. entitled to non-cum. divs. of 4 p. c. to June 30, '14, after which rate remains, but the divs. become cum. Stk. then callable at par and acc'd divs. Also auth. \$28,000,000 1st mtgs. 4 p. c. 50-yr. g. bonds. The sale of Gt. W. at auction somewhat anomalous. Road had no bonded debt or mtge. (2).—Reorganizers have obtained from former Wis. Cen. an option at \$2,000,000 upon term. prop. in Minneapolis. If G. W. exercises option it will take over also leases by which W. C. formerly oper. into Minn. over Gt. No. tracks, and W. Cen. will prob. avail itself of Soo trackage. This would mean much to Gt. W. (2).—N. Y. Stk. Exch. listed ct. of dep. for \$27,639,000 deb. stk., \$10,627,400 pfd. A stk.,

\$21,648,300 pfd. B stk., and \$34,505,200 com. stk., and has auth. add'l amts. of said ctfs. to be listed before Sept. 21, 1909.

Ch'go, Mil. & St. Paul.—Pfd. 1st div. on new \$100,000,000 stk., issued to pay for ext. to Pac. coast. In current fisc. yr. will pay out about \$7,000,000 more in divs. than '08-9, but will save \$3,250,000, as int. on subs. warrants. Will have to earn \$3,750,000 more than in '08-9 to meet its div. obligs. New \$25,000,000 deb. bonds issue will cause no inc. in fixed chgs, but rather a sav. for abt. \$20,000,000 used to refund old issues at higher rates. Gross June approx. \$5,000,000, inc. \$600,000, total for late fisc. yr. close to \$60,000,000, inc. \$3,000,000, or abt. 8 p. c. Showing better than any other road in similar territory. Only \$650,000 below own high mark '07, the banner R. R. yr. (1).—Bal. after pfd. div. ded. eq. to 11.53 p. c. on the \$83,377,900 com. stk. at begin. fisc. yr., or 8.26 p. c. on \$116,348,200 now outst. If we incl. \$1,522,336 prem. on com. stk. sold in 1907 in amt. avail. for divs., it would equal 6.29 p. c. on \$232,623,100 total cap. now outst. In other words surp. avail. for divs. for last fisc. yr. suf. to nearly meet a full yr.'s 7 p. c. div. on total outst. cap. (11).

Ch'go & Northwestern.—Outside pool largest single holding U. P. pfd. prob. that of Northwestern. 41,715 sh. carried at cost of \$3,910,000, or abt. 93.75 p. sh. Possibility of large distrib. on this would prob. acc't, in part, for recent rise in No'west. (6).—Report June 30 shows op. rev. of \$65,978,471, inc. \$2,759,126, total net inc. \$22,771,325, inc. \$1,232,293. Bal. after divs. \$3,170,790, inc. \$296,371 (3).

Chesapeake & Ohio.—Pres. says: "Pros. for big earnings good as ever seen, running ahead last year's gross at rate \$250,000 a month. Gross is keeping abt. even with 2 yrs. ago, when all R. R. earn'gs at highest point in history. Physical prop. in excellent shape. Spending liberally on upkeep and imp. All equip. in use. Not an idle car or engine. Can handle bigger tonnage in fall than now, because adding to equip. No likelihood of car shortage. Last 6 mos. have purch. 4,000 cars and 50 locos., none of which yet del'd" (2).—Yr. end. June 30 gross inc. \$26,630,718, comp. with \$25,843,272 prev. yr. Exp. red. from \$17,176,747 to \$16,366,838, net \$10,263,880, against \$8,656,525 in 1908. Showing better than at height of prosperity before panic, in fact best in road's history. Total inc. \$10,972,743. Chgs., taxes, etc., \$6,960,616, net inc. \$4,012,127. Surp. after car and equip. trusts, imp., etc., \$2,775,278, comp. with last yr.'s \$1,125,460, and 1906 \$2,054,484. Div. inc. from \$627,907 to \$1,255,814, final surp. to \$1,519,464, larger than 1906 surp. after pmt. of smaller divs. then. Prest. says: "Gross and net rev. for the yr. largest in history. Directors auth. a 'gen. fund. and imp. mtge.' of \$30,000,000, dated Jan. 2, 1909 and 1929, and bonds to amt. of \$11,000,000, sec. by this mtge. were issued and proceeds of sale in part applied

to cancel. \$7,500,000 6 p. c. coll. notes called for pmt. July 1, 1909; the \$9,750,000 gen. equip. and imp. bonds issued as coll. for these notes have been canceled, also for \$10,000,000 securing the issue. Gen. mtge. $4\frac{1}{2}$ p. c. bonds \$840,000 issued, \$750,000 sold to reimburse the treas. for funds adv. on double track work; \$90,000 remain treas." (28).—Every reason for believing that current fisc. period a banner one. During depression yr. the C. O. scored a gain in gross, being one of few exceptions (11).

Del., Lack. & Western.—Yr. end. June, surp., inc. \$1,600,000 for adds. and betts., of \$13,146,965, eq. to 50.14 p. c. on stk., adding the amt. disb. for add. and betts. to total avail. for divs., equals 56.53 p. c. (11).

Delaware & Hudson.—Annual report made up Dec. 31, but reports quar. to Pub. Ser. Comm., show net applicable to div., approx. \$5,458,077, or 12.8 p. c., on cap. for yr. ended June 30 last.

Erie.—Pres. Underwood's stmt. that this yr. would show net \$5,000,000 above last. The Bergen Hill cut will be comp. early next yr., what that means to Erie can be understood only by those who know that for sev. yrs. past road has had only two tracks through tunnel to carry all frt. and pass. out of Hoboken, a fact which req. stopping of frt. traf. for an hour every day for suburban pass. traf. New cut will add 4 tracks at p't of greatest congestion and give road chance to take real adv. of term. on Jersey shore (27).—Pres. said Aug. earnings would break records. Predicts over \$500,000 in excess of any prev. mo. in history (11).

Gt. Northern Ore.—Aug. div. of \$1 the 3rd distrib. 1st was \$1 Sept., '07; 2d, \$1, Mar. 16, '08. No reg. dates for pmt., stip. that pmts. be made at least once per yr. End of '08 yr. trustees held \$256,000 of unexp. receipts from Steel Corp. and since Jan. 1 has rec'd pmt. for '08 royalties of \$1.68 per ton, abt. \$2,500,000 (2).

Gen. Electric.—Bulk of orders warrant gradual inc. in prices. Aug. 10 p. c. higher than 8 mos. ago. Some depts. overcrowded with orders; others, outlook favors normal vol. by fall. No question, will fully earn 8 p. c. this yr. with subs. surp. (2).—Latter part Aug. gross biz. took sudden jump; now better than \$65,000,000 per an. July gross rate of \$56,000,000 per an. Inc. in prices proving beneficial in net. Co. using enormous amt. copper; greater than any time in history (1).

Gen. Chemical.—Fin. position, regards work. cap. extremely gratifying. A careful, conserv. management. Total assets May 31, \$4,428,242, of which \$577,656 cash. Quick liab. \$660,569. Net work. cap. \$3,767,673, or six times total liab. Present yr. should show a new record. Pfd. stk. recently sold to be empl. for new const. and acqui. of new prop. New cap. should bring more rapid expan. earn'g power.

Int'l Agricultural Corp.—All details and legal formalities relative to org. of this newcomer in the fertilizer field have been

completed. Cap. \$15,000,000, half com. and half 7 p. c. cum. pfd. Co. at present comprises Buffalo Fertilizer Co., and exten. potash int. in Germany, owned by Walde-mar Schmidtman, who is pres. of the new corp. All prop. purch. free and clear of all indebtedness, only actual val. being paid for, no allowance made for good will. One of strong points is it owns outright extensive potash prop., this being most imp. ingredient in mfr. of fertilizer. Understood arrangements made with German potash syndicate, which will elim. danger of cut-throat competition. Understood acid contract of Tenn. Copper Co. will be conveyed to this co., also likely Ducktown Sulphur & Copper Co. will mkt. its acid through this co. Through ownership potash mines and acid contracts co. will be supplied potash, phosphate and acid for long period. Good vol. biz. already booked. Earn'gs, quite large, possibility of substantial divs. Expected applic. made to list on Stk. Ex. (13). (See Tennessee Copper.)

Iowa Central.—June 30 closed poorest yr. in history. Total net inc. \$384,242, against \$817,391 in 1908, \$1,041,694 in 1907 and \$832,882 in 1906. Net of 1909 not sufficient for fixd. chgs., which req. about \$600,000. Has, however, surp. over a million. Last yr. disastrous beginning to end (8).

Int. Harvester.—Paying nothing on com. stk., but directors will in the near future decl. an initial div. at the rate of 4 p. c. or 5 p. c. All plants are working at max. capacity, equip. at Milwaukee will have to be enlarged, as cannot meet requirem'ts. 24 assembling experts and repair men leave for So. America to supervise setting up new equipmt. ordered and shipped. 20 have already been sent and 30 more will go (2).—Additions to cost more than \$1,000,000 are to be made to the Int. Harv.'s Milwaukee plant.

Int. Paper.—Net earn. not been sufficient during past 2 yrs. to justify an inc. in pres. rate of $\frac{1}{2}$ p. c. qu. Future earn'gs will depend to a great extent on amt. of foreign competition under the reduced tariff rate on newsprint paper, which constitutes 80 p. c. of output (1).—Official says: No definite plans regard bldg. in Canada. Demand better than anticipated. Ch'go biz. July largest July since estab. Exp. good biz. this fall (2).—For fisc. yr. end. June earned the 2 p. c. div. on pfd., and several hundred thousand to surp., actual cash above divs. either invested in prop. acc. or used for work. cap. (2).

Int. Steam Pump.—Auth. an issue \$12,000,000 1st mtge. 20-yr. bonds. \$8,500,000 now. Sale arranged with N. Y. bankers. Proceeds will be used to retire outst. deb. \$3,650,000, take up current debt and make imp. (11).—V. P. quoted as saying that biz. July largest in vol. since Mar., 1907. Orders first 10 days Aug. like period in no. of yrs. (10).—10-year 6 p. c. deb. of Jan. 2, '03, called for pmt. and redempt'n Oct. 28, 1909, at prem. of 5 p. c. and int. (11).

Interborough-Metropolitan.—Stk. Exch. listed Inter. Rap. Tran. Co. \$11,590,000 45-year gold mtge. 5 p. c. bonds, series "A," due 1952; also provided for \$23,660,000 add. bonds be listed prior to Jan. 1, 1910, on official notice of issuance in exch. for 3-yr. conv. 6 p. c. gold notes due 1911, making total amt. auth. to be listed \$35,250,000 (11).

—Last report showing inc. of 23 p. c. in earn'gs for divs., demonstrates success of N. Y. subways beyond all doubt. Co. earned approx. 13 p. c. on its \$35,000,000 cap. stk., and after pmt. of reg. 9 p. c. div., surp. \$1,439,823, amt. being held in treas. of Inter. Improbable any immediate resumption of pfd. divs. on Inter.-Met., pmt. on which discon. Oct. 1, 1907. Inter. R. T. has in treas. a surp. of \$2,993,445, eq. to an extra div. of 9 p. c. on stk. Of this the Inter.-Met. is owner of 97 p. c. At the present ratio surp. of Inter.-Met. end current fisc. yr. should benefit Inter.-Met. by \$4,300,269. Large inc. expected this yr., but far heavier expend. Side door cars req. outlay of \$2,200,000 (1).—Gross earn'gs of Inter. R. T. made another sensational gain for Aug., inc. avge. \$7,000 per day, or over \$210,000. July gross inc. about \$270,000, so elev. and subway system gained over \$450,000 in 2 mos. 62 p. c. of Aug. gain contrib. by subway, rapidly getting where earn'gs eq. elev.

Kansas City So.—Kan. City So. is a "near Harriman" prop. Benefits largely from traffic alliance. One of best so'west'n roads from point of physical condition and management. It is on a speculative basis, however, at this market figure (10).

Louisville & Nashville.—Has \$60,000,000 stk. P. & L. surp. of about \$20,000,000. In addition has spent millions upon betterments and imp. out of earn'gs over series of yrs. Said to amt. to \$16,000,000. Total between \$35,000,000 and \$40,000,000. Suggested that future cap. might be raised to a figure rep. cap. of \$60,000,000, plus the \$40,000,000, or a total of \$100,000,000. Co. has the right to issue cap. stk. up to the total cost of road and branches" (11).—Reported that will issue new stk. conveying val. rights to st'kholders. Issue largely in a few hands. Floating supply in Street small. Yr.'s cash bal. for divs. \$7,515,000 against present rate of \$3,600,000 (1).—N. Y. Stk. Exch. listed \$18,200,000 add'l unified 50 yr. 4 p. c. bonds due 1940; total listed \$58,762,000.

Long Island.—The heaviest summer traffic ever handled by the co. was on Aug. 8, 195,026 passengers carried (5).—Co. has applied to Pub. Service Comm. for authority to issue bonds not to exceed \$16,500,000. Proposed to repay Penn. R. R. \$6,032,951, borrowed and exp. for imp. from 1905 to 1908. Penn. R. R. now owns 135,958 of its 240,000 shrs. of cap. stk. Stated that co. will req. in next 3 yrs. add. cap. for const. and equip. Penn. willing to loan \$10,500,000, in addition to existing indebtedness, loans to be sec. by the 10-yr. 4 p. c. debentures (28).

Met. Securities Co.—Judge Holt, U. S. Circ. Court, has appointed S. Sydney Smith, 59 Wall St., receiver. Judgment by Receiver Ladd of N. Y. City Ry. for \$5,271,582 was obtained. Nearly all stk. of Met. Sec. owned by Inter.-Met., having been exch. for com. of latter upon its formation. Only 75 p. c. of Met. Sec. paid in. Question has arisen whether Int.-Met. liable for bal. of 25 p. c. to satisfy judgments against the latter corporation. Counsel for Inter.-Met. contends that corp. could not be held responsible for the 25 p. c. still unpaid (11).

Michigan Central.—Lean half of yr. shows a bal. of \$375,000 over the reg. 3 p. c. div.; in other words, earned almost exactly 5 p. c., which means 10 p. c. for cal. yr. (1).

Minn., St. P. & S. Ste. Marie.—Fourth pmt. of 20 p. c. on new Minn., St. P. & S. M. was due Aug. 31. New stk. will inc. an. div. req. by \$383,400, making them total \$1,979,040. Can. Pac., which controls Soo by ownership over 51 p. c. of its stk., is exercising its subs. priv. to the full extent. It will also take all stk. not absorbed by smaller st'kholders. Next and final pmt. of 20 p. c. due Oct. 15.

Missouri, Kan. & Texas.—An. report will show seven-tenths of 1 p. c. on com., after deduction of \$433,000 for additions and betterments, comp. with four-tenths of 1 p. c. in 1908. Earn'gs eq. to 7.24 p. c. on pfd., against 6.07 p. c. a yr. ago. Application of surp. to betterments will be policy for some time. Hope for com. divs. soon is extinguished (1).

Missouri Pacific.—Understood to expend \$140,000,000 for improvements in the next ten yrs. Incl. double tracking, heavy for light rails, rebuilding bridges and const. of important extensions. "At the end of ten yrs," said Gen. Spitzer, a director in Wabash, "the Mo. Pac. will undoubtedly be one of the finest railway systems in the world. I believe, as did Russell Sage, that its future earn. cap. will be enormous" (28).

—Report yr. end. June 30 inc. oper. exp. of \$2,427,311. More than eats up inc. in gross of \$2,196,697. Other sources of inc. dec. \$643,637. Taxes inc. so largely that bal. inadequate to pay divs. The net result was \$1,037,998 added to surp. at exp. of \$1,935,210 divs. and prof. and loss surp. dec. \$5,055,490 from chgs. incurred before July 1 (27).—Co. has given notice that cts. for stk. in old co. may now be exch. for cts. in new consol. co. of same name. Cap. stk. of new co. \$83,251,000 listed on Stk. Exch. New cts. good deliv. on all trans. (1).

Nat. En. & Stamping.—Yr. end. June 30, showed inc. in net of \$547,749. Surp. after divs. on pfd. \$169,562 (3).

Nat. Lead.—Aug. was one of most profitable Augusts in history. Trend of earn'gs consistently upward during last few mos. Many dep'ts are breaking all records for orders. Every plant working at full cap. (2).

Northern Pacific.—A prominent interest says an. report will show over 11 p. c. on

the \$248,000,000 stk. The co.'s earnings as reported to the Inter. Com. Comm. monthly, with such est. of miscell. inc. and fixed chgs. as may be made from avail. data do not indicate so high a percentage of earnings, but it is characteristic of the Hill roads to have in reserve some earnings or assets or inc. of which the public has little or no knowledge. From the insufficient data at hand it is difficult to arrive at a true est. of other inc. and chgs., but it is none the less clear that the No. Pac. in a yr. of low gross earn'gs—in the light of the recent heavy cap. expend. which will ultimately mean a big inc. in earn'g power—easily earned its regular 7 p. c. with a wide margin of safety (1).

Norfolk & Western.—Net gained \$1,399,842, total \$11,597,345, best in history except 1907, when net \$11,649,845 (3).

N. Y. Air Brake.—As report yr. end. Dec. 31 last, showed deficit of \$261,466, a resumption of div. passed Oct., 1907, does not seem probable at present. During current yr., biz. 75 p. c. to 100 p. c. better than same period last yr. (1).

N. Y. Central.—Evidence of def. intention of Harriman interests to sec. control of N. Y. Cent. continues to inc. Well-posted authorities frankly declare that next move will be offer by U. P. to N. Y. Cent. holders of a 4 p. c. bond in exch. for their shrs., on basis that will fairly recognize whatever equities are hidden in N. Y. Cent. (2).—Purch. most of its steel req'ts last spring when prices were low. Co. could sell its contracts today at \$600,000 to \$700,000 (1).—Co. should show at least 2 p. c. more on stk. this year than last, viz.: 7 p. c. (2).

N. Y., Ch'go & St. Louis.—Second pfd. may be regarded as sure 5 p. c. div. payer. At current quo. returns more than 5.5 p. c., which is an attractive yield comp. with the prev. range of prices. In over 20 yrs. no inc. in cap., meantime road has been rebuilt and modernized from surp. earn'gs. Bonded debt inc. only \$10,000,000 (11).—Earned $3\frac{1}{2}$ p. c. on com. 1st 6 mos. of this yr. 2d half will undoubtedly bring greatly imp. biz. Likely com. will see 1st div. may be 3 p. c. early part of 1910 (8).

Ontario & Western.—Surp. 12 mos. end. June 30 equiv. to 2.31 p. c. on com. stk. A yr. ago earned 2.61 p. c. on com. (1).

Pacific Coast.—2d pfd. and com., on which 4 p. c. now being paid, will be restored to a 5 p. c. basis within another 6 mos. Only question undecided is whether at time of Nov. or Feb. pmt. Earn'gs recovered more quickly than they dec. Last month or two gross and net very close to 1907, when earned 10.2 p. c. on 2d pfd. and com., or double divs. paid (2).

Pacific Mail.—An ominous remark was recently made by Mr. Schwerin, V.-Pres. When asked whether his co. intended to improve its pass. service, he said: "It is more likely that the co. will retire the Korea after this trip. Japanese steamers are subsidized to the extent of \$90,000 per

trip, and this condition is driving our flag off the Pacific. The Pac. Mail is reluctant to withdraw from the Pacific trade, but circumstances may force that result." Our shipping trade cannot expect a revival unless our Gov. starts on a ship-subsidy policy, such as the Gov.'s of Eng. and Germany have adopted (8).

Pennsylvania.—Earn'gs should be abnormally swelled by great industrial activity now prev., partic. in iron and steel trades. With good crops assured, Penn. should close cal. yr. with \$150,000,000 gross, over \$35,000,000 net, or 11 p. c. on stk. (1).

[Note.—In Sept. TICKER, "\$100,000 bonds conv. at 150" should read "\$100,000,000."]

Peoria & Eastern.—Spec. investors are purch. the incomes. Int. is payable an. on Apr. 1 if earned. Road contr. by C., Cin., Chic. & St. L., penetrates corn belt of Ind. and Ill., where prospects of record-breaking crops. Int. on inc. pd. from 1902 to 1908 incl., but passed this yr. Now an even chance that after the present cal. yr. closes will warrant full 4 p. c. (11).

Pressed Steel Car.—Has been hit hard by the strike and fact that will not take orders at the prev. low prices. Doubtful if any divs. are paid on the com. for some time (2).

Pullman.—Co. has no pfd. and has never missed a div. on the com. Now paying 8 p. c. (2).

Railway Steel Springs.—Com. has acted as if a div. would be decl., but officers imply will not be any for sev. mos. (2).—Pres. said biz. 125 p. c. greater than a yr. ago.

Reading.—Cap., of which \$28,000,000 4 p. c., 1st pfd., \$4,200,000 4 p. c. 2nd pfd., and \$70,000,000 com. 2nd pfd. may be conv. half into com. and half into 1st pfd. stk. at option of co. This acts. for higher price of 2nd pfd., although both issues limited to same div. rate. Present unmined coal owned or controlled far in excess of entire amt. which Rdg. and predecessors have taken from ground and shipped within past 60 yrs. Val. of such shipmts., figured at the prev. rates during the period named, has been in excess of \$500,000,000. Figuring the present known unmined deposits at a max. val'n of \$1 p. ton, gives co. an asset in its unmined deposits far in excess of \$500,000,000. These unmined coal holdings approx. 63 p. c. of all the anthracite coal dep. in the State of Penn., acc. to latest est. Of remainder, L. V. controls abt. 16 p. c.; D., L. & W. about 6 1-2 p. c. and Erie about 3 p. c., leaving approx. 11 1-2 p. c. for "independents." Of actual production, the R. Rs. rep. 20 p. c. to 25 p. c., leaving bal. for "independents" (22).—Est. surp. for yr. 1908-9 \$8,670,000. 1908, \$9,448,752 (2).

Republic Steel.—Yr. end. June 30 surp. equal to 7.9 p. c. on pfd. Av. perc. for two yrs. nearly 9 p. c. Seems to assure reg. divs. at 7 p. c. a yr. on pfd. Practically double capacity at time of org. Oper. costs red. and with the plans for diversifying products next ten yrs. should be much more gratifying than for ten yrs. ended June 30.

Has shown a surp. avail. for divs. since 1899, ave'ging 10.1 p. c. on the pfd. With a new tube mill, est. cap. of 100,000 tons a yr., decd. oper. costs and cap. doubled should be in position to make new high records in earn'gs with steel prices considerably lower than the av. since 1900 (1).

Rock Island.—Fisc. yr. 1908-09 gross whole system \$111,744,240 com. with \$107,237,130 prev. yr., and \$112,063,689 in 1906-7, which was the record yr., gross and net. Net after exp. and taxes \$31,440,832, inc. \$3,426,494 over 1907-8, and \$3,046,114 less than 1906-7 (1).—Earned on pfd. 5 p. c. against 1 p. c. in 1908. Shows recovery of \$5,000,000 gross and \$2,300,000 net. If present fisc. yr. shows similar gain co. will earn on com. nearly 3 p. c. (13).—July establishes new record for that mo. both gross and net. Best feature is net earn'gs, inc. 43.4 p. c., and 24.7 p. c. over 1907. Gross gained 15 p. c. over last yr., and 1.1 p. c. over 1907 (1).

Seaboard Air Line.—Although fiscal yr. 1908 showed gross \$18,300,000, an inc. of 5 p. c., there remained def. after pmt. \$1,141,463. This, in spite of receiver's oper. on an economical basis as indicated in net earn'gs of \$1,300,000, is 35 p. c. greater than yr. before. In considering the Seaboard's future, the rapid developmt. of the South must be carefully kept in view. No other section of the country is forging ahead so rapidly in material progress, and from this growth and expansion the Seaboard should derive considerable benefit (8).—Approx. rev. 2d week Aug. inc. 10 p. c. over last yr. Total inc. July 1 to Aug. 15 \$107,160 (11).

Sloss-Sheffield.—Earn's of co. show substantial gain. Inc. divs. would not be surprising (2).—Co. has a bonded debt of only \$4,000,000. Its stk. consists of but \$6,700,000 pfd., paying 7 p. c., and \$10,000,000 co., paying at the present time, 5 p. c. It owns and controls blast furnaces in Ala., with total cap. of about 400,000 tons per an.—a large capacity for a property so conserv. capitalized. Owns 65,000 acres coal lands and over 51,000 acres of iron ore lands. Co.'s own est., and independent appraisal, agg. amt. of coal embraced in excess of 1,400,000,000 tons. Approx., it can fairly be said that the coal deposits of Sloss-Sheffield are nearly equal to those of the Tenn. Coal & Iron Co. (14).—Earnings for quar. ended Aug. 31 understood in excess of preceding quar., when surp. of \$300,000 shown. At this rate earn'g over 7½ p. c. on com. (2).

Southern Pacific.—Gross earn'gs yr. ended June 30, \$120,521,009, a red. of \$2,700,000 from 1908 and \$5,600,000 under 1907. But oper. exp. have been red. \$8,860,000 making inc. in net \$6,100,000 over 1908 and only \$1,200,000 under 1907 (1).

Southern Railway.—Has falling due in Feb., 1910, \$15,000,000 short term notes, for which it must prov., and it is generally understood that at the same time it will prov. itself with additional funds for carrying out imp. and develmt. and gen. mtge. 4 p. c.

bonds, of which a subst. amt. has been marketed since beg. current yr., and which have recently shown, along with inc. earn'gs, a noticeable strengthening (2).—

With imp. earn'gs of the So. Railway, and every prosp. that the South has entered upon another period of widespread industrial activity, the co.'s gen. and devel. 4s. appear to be one of the cheapest second-class bonds listed on the N. Y. Stock Exch. (11).

So. Pac. of Mexico.—Directors elected Sept. 7. Co. has cap. of \$75,000,000, all of which in treas. of So. Pac. Co. The co. formed to consol. lines already built and in course of const. on coast of Mexico, and to acq. Cananea, Yaqui River & Pac. R. R. will incl. between 1200 and 1300 miles of road (2).

St. Louis & San Fran.—When the div. on Frisco 2d pfd. again ordered, undoubtedly, will be at rate of 4 p. c. Will not be necessary to do any more financing for about 18 mos. All co.'s needs prov. through recent sale of \$10,000,000 bonds (10).

St. Louis & Southwestern.—Fisc. yr. closed with oper. inc. \$2,265,933, or \$546,779 above prev. yr. With "other inc." maybe that 5 p. c. on \$20,000,000 pfd. stk. has been earned, but nothing more (8).

Tennessee Copper.—Entering sulphuric acid biz. on much larger scale. Engaged in const. of an add. unit to its acid plant. Now capable of turning out about 300,000 tons of acid per an., and represents an exp. of \$1,000,000. Unit now in course of const. will cost about \$800,000. This yr. no attempts have been made to inc. the co.'s copper output, which is abt. 15,000,000 lbs. per an. Monthly ore shipm'ts 40,000 tons, and we learn costs per lb. of copper a trifle over 10c. After rev. from acid plant, cost per lb. of copper is well under 10c., making present net earn'gs \$2.50 per sh. or better. Last div., \$1.25 per sh., paid Sept., 1908. To date has paid \$10.75 per sh. (13). See Inter. Agri. Corp.

Third Ave.—Col. Amory, a former employe, is out with an attempt to secure for st'kholders some of the \$16,000,000 alleged to have been looted by insiders. He asks for \$1 a sh. for legal exp.; \$20,000, he says, is sufficient for recovery (2).

Texas Pacific.—The outlook for early resump'n of int. pmt. favorable. Gross 5 mos. end. May, 1909, \$465,388 in excess of last yr. and net inc. \$303,833. If this inc. maintained during remainder of yr., should be surp. for 1909 close to \$2,000,000. 5 p. c. on inc. bonds req. \$1,233,048, leaving about \$770,000 for the imp. acct. and equip. fund. This amt., however, much less than co. in habit of ch'ging to those two items, so that on a surp. of \$2,000,000 improb. that as high as 5 p. c. would be pd. (2).

U. S. Cast Iron Pipe.—Earning enough to pay full 7 p. c. on pfd., but no early prospects of div. on com. (2).—Decl. reg. quar. div. of 1¼ p. c. on pfd. Last div. prior was a declaration of 1¼ p. c., made in Sept., 1908. The legality was questioned and pmt. restrained, pending decision by

courts. On June 14, 1909, Court of Errors and Appeals of N. J. affirmed legality of decl., and on July 2 the div. was paid (5).

Union Bag & Paper.—Has shown a comfortable bal. after divs. for past 2 or 3 yrs. Should results current yr. show imp. over 1908, would be justified in inc. over present rate of 4 p. c. on pfd.

Utah Copper.—Quar. report shows prod. at rate of 55,000,000 lbs. per an. Cost of 9.192c. Net prof., with metal at current prices, should be approx. \$2,370,000 per an.; eqv. to \$3.25 per sh. or 6.25 p. c. on present mkt. price of stk. Prof. pretty sure to expand as co. inc. its output. Copper stks., in a rising mkt., usually sell 16 to 20 times earn'g power. Evident Utah is relatively cheap (19).

Union Pacific.—Stated Harriman plan provides for formation of a U. Pac. Securities Co. to hold S. P. and other U. P. invmts., which co. will have cap. stk. of \$295,000,000, equiv. to pfd. and com. stk. of U. P., also U. P. would buy cap. stks. of the N. Y. Cen. and Ill. Cen., exch. coll. tr. bonds therefor. The stk. of the holding co., it is said, will be given to U. P. holders as a 100 p. c. stock div. Also proposed 6 p. c. divs. be paid on holding co. and 8 p. c. on U. P. shs. This would mean an inc. from 10 to 14 p. c. in U. P.'s return to st'kholders (2).—Factors that should impart strength to U. P.: Earn'gs of more than \$40,000,000, or 20 p. c. on com., leaving \$20,000,000 surp. after 10 p. c. divs. Earn'g power so enormous must go to make steadily inc. val., as in case of Lackawanna, or be disb. in inc. divs. 2. The overhauling of U. P.'s list of inv. sec. whereby the co.'s influence and ult. earnings will be further inc., together with the possibility always of a segregation of invmts. from R. R. proper (13).—It is interesting to recall that several yrs. ago the U. P. st'kholders auth. an inc. of the pfd. stk. by \$100,000,000. That stk. has never been sold, and several yrs. ago, while the price was away below par, Mr. Harriman made the an'tment that a sale would not be made until it could be arranged at \$100 a sh. or better. Possibly, traders are asking themselves whether the opportunity will not be availed of to make prov. for possible contingencies (1).

U. S. Rubber.—Yr. end. Mar. 31, shows vol. of sales decd., profit inc. from \$3,553,556 to \$4,507,655. Earn'gs sufficient for 8 p. c. on 1st pfd. and 6 p. c. on 2nd pfd. Surp. \$1,008,715. Chge. for depreciation against prop., plants and securities owned, \$1,354,891 made against surp. acct. Business shown excep. heavy inc. since 1st of yr. Ind. for further expansion. First quarter, in tires as well as footwear, practically double of 1908. When price of crude rubber was 67c. a lb. (1-3 present price), co. laid in a large supply at the low prices. Plants in continuous oper. night and day. In footwear co. has on hand specifi. and orders to rep. about a yr.'s biz. (16).—Owns over 80 p. c. of com. stk. Rubber Goods Mfg. Co., which reported a surp. over divs. in 1909 of

\$933,000. Incl. this equity would make 1909 stmnt. show 7.5 p. c. on com. (13).

U. S. Realty.—Doing very large business. Expects to close several large contracts in near future. Unfilled biz. \$20,000,000. Earn'ings far in excess of div. req., but no inc. anticipated in near future (2).

U. S. Steel.—Claimed co.'s cement business will soon be 60,000,000 barrels a yr., the profit from which equal to 2 p. c. per an. on the corp's com. stk. 3d quar. est. will show earn'gs of \$35,000,000 (1).—Now having great difficulty in making deliv. satisfactory to consumers. Aug. will set new record for ore shipmts., break pig iron record by between 50,000 and 100,000 tons and total shipmts. of finished materials of well over 900,000 tons. Corp. turning out largest vol. of finished prod. of any time in history, at rate of 11,500,000 tons for a full yr., com. with prev. high in 1906 of 10,578,000. Earn'gs climbing steadily upwards. For the present quar. prices will av. between \$2 and \$2.50 p. ton better than for the prev. quar. and over \$3.50 per ton better than March quarter. Large percentage of this increased price is going directly to swell net earnings. Now in operation 8 out of 16 furnaces at Gary. This plant will, when finished, inc. capacity of corp. by 2,500,000 tons, and give a capacity of 14,500,000 tons. Gary plant not yet completed, so with present equipment running close to 95 p. c. of full capacity, present indications favor net for September quarter 35 to 37 millions (2).—A director and large stockholder associated with J. P. Morgan in many large enterprises, expresses opinion that Steel com. will sell at \$100 p. sh. next yr., and that, based on divs., earn'gs and prospects for future business, it will be worth it (1).—Corp., when oper. on a basis of 100 p. c. of cap. (now 94 p. c.), will be turning out at rate of 13,000,000 tons of finished steel "for sale" a year. Est. income will then be \$182,000,000 a yr. Today bal. for com. near 12 p. c. after all deductions, incl. pfd. divs. Could easily pay more than 3 p. c. on com. (2).

Virginia-Car. Chemical.—Best yr. in history, 7 p. c. on com. Decl. a com. div. of 3 p. c. With advantages arising from financing last year, prospects of larger biz and a better margin of prof; every likelihood of inc. to 4 p. c. div.

Vulcan Detinning.—Learned on high authority distrib. on acct. of back divs. on pfd. will probably be made before Jan. 1; amt. not definitely determined. Now 18 1-2 p. c. due, or \$160,500. Amt. paid will depend on biz. bal. of yr. No consid. will be taken of winning suit vs. Am. Can. Co.; est. val. \$400,000. Co. will keep this in reserve for imps., work. cap., etc. (11).

Westinghouse.—June business imp. 25 p. c. over May, July largest in any mo. last 2 yrs. (16).—Gross business at the rate of \$2,500,000 per mo. or \$30,000,000 per an., inc. 130 p. c. from low. A favorable feature is the excellent results the foreign cos. are making. French co. earns and pays pfd.

divs.; English co. earning int. with a bal. to the good; Russian co. showing a steady imp., putting it within sight of earn'g chgs. Foreign cos. no longer a drag on parent co., which was the case a yr. and 2 yrs. ago (2).—Entire force at E. Pittsburg placed on full time. Now working 10 hrs. Due to the large orders which the plant is now filling (1).

Western Maryland.—1st mtge. bonds on which int. has been paid during rec'ship are at 86, cheapest of any 1st mtge. R. R. bonds. Earn'gs even in depression more than ample to pay fixed chgs. The assessment on com. stk. means assets will inc. over \$20,000,000. Equal to 30 p. c. inc. security for holders of 1st mtge. bonds. Bonds will see higher prices (8).—The time for the deposit of stk. and for purch. of new com. stk. by the holders of ctf. of dep. for gen. lien and conv. mtge. bonds extended to and incl. Sept. 27. Equitable Tr. Co.,

N. Y., is depository (11).—Report fiscal yr. end. June 30 last: Gross, \$5,952,696; op. exp. and taxes, \$3,903,728; net, \$2,048,968; misc. credits, \$119,917; net prof. coal and other depts., \$430,010; total, \$2,598,895; deduct misc. chgs., \$134,258; int. on bonds, \$2,043,220; rentals, leased lines, etc., \$175,821; inc. on loans, \$122,433; additions and betterments, \$98,172; total, \$2,573,904; surp., \$24,991 (11).

Western Union.—Final report of special master in action against Am. Telp. & Teleg. Co. says W. U. should rec. from Telephone Co. \$2,579,914 and 20,087 sh. of stk., cash rep. int. and divs. on shs., which would have come to Tel. Co. had it held the stk. Counsel both sides may file protests to be heard before U. S. Circuit Court of Appeals (11). See Am. Telp. Co.—Est. stmt. for quar. end. Sept. 30 shows quarter end., not including const. or betterments net of 1.57 p. c., rate of 6.28 p. c. per an. (3).

INQUIRIES

Is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated? If so, write questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS.

A Successful Lamb

I AM an investor and not a speculator, and just want to show you that all the lambs are not born in the country and that all who send their cash down to Wall Street are not fleeced so badly as Mr. Lawson and Mr. Everybody would try to make the public believe.

In 1906 I thought things were pretty well up to the high water mark and sold all my bonds and stock that were not netting me over 4½ per cent and divided the proceeds up with my brokerage house and two trust companies where I could get some interest on my funds. When 1907 rolled around, and almost everyone seemed to think that this great and glorious country was going to the bow-wows, I commenced to buy something myself and started in on Steel Com. At 32 I purchased a hundred and another at 30, 28, 27, 26, 25 and 24, and then my cash ran out. During this time I also bought 100 So. Pac. pfd. at 114 and 100 common at 78, 100 Rock Island pfd. at 31, 100 M. K. T. pfd. at 60 and 100 Ontario & Western at 38. I have them yet; all paid for and laid away and can hardly see today where I can sell any of them and better my con-

dition to any great advantage. Think this record pretty good for a countryman. I ran into your city on business at about the time the panic was in full swing, and when I saw the line up before the Trust Co. of America, and heard all the awful tales of woe the street had to tell, I hunted a train for home as fast as I could for fear I would become inoculated with the virus and sell everything I had.—J. P. F.

Ans.—Tom Lawson says we are very much in need of a word which sounds like investment but which means speculation. Tom Woodlock, whose name we hesitate to mention in the same paragraph with Lawson, says you're an investor when you are after the income—otherwise, not.

We suggest that the word

SPECINVESTOR

be used to designate one who buys because a stock is cheap; because he thinks the price will advance, and who pays for it in full.

Call yourself anything you like; you've played the game as John D. Rockefeller does and you deserve credit for your successful campaign.

But don't stay too long. Remember that you cannot legitimately count your profits till you have them back in the trust company in cash.

If buying on a scale down is good business, selling on a scale up is also good.

Stocks locked away are safe in one sense, but history proves that they are liable to shrink some at times. So if you are wise you will shape your course toward tapering off your holdings, so that the top of the swing will see your line completely liquidated. Otherwise a panic may come along and make the dollar you thought you had look like thirty cents.

You can turn a similar trick every three years on the average. It is already two years since the last panic. We don't know when the next will arrive, but you might better be prepared too early than too late.

Some Interesting Experiences

E DITOR OF THE TICKER—

Dear Sir: After being for years a reader of other publications, I happened to strike your valuable magazine. It was after a few numbers treating the subject on tape reading had already been published. Since I became a subscriber I have secured all the back numbers of said series, and in addition the previous volumes, 1 and 2.

I have read and reread the volumes of THE TICKER and thoroughly studied your articles about tape reading. It is an ideal magazine in its line, and I consider it indispensable to all interested in the stock market, especially to a novice like myself. Every single line is of value and offers such an attraction that I am, literally speaking, devouring it. I would not be without it, as it has given me innumerable valuable points about speculation; it is having a thorough educational effect upon me and is training my speculative inclinations and ideas to such an extent that I see matters in an altogether different light. I now consider speculation a business and not a gamble, and am convinced that success can only be attained by hard work and a thorough study of all its lines.

I now wish to relate some of my experiences and to respectfully ask you for some advice.

I am a native German. While employed with a banking concern in Switzerland I made my first speculative ventures at the age of 22. I had to do my trading through a bucket shop, as the law forbids bank employees to speculate on the "Boerse." I cleaned a few hundred francs and withdrew my funds just a few weeks before their shop was shut down and the leading heads put behind the bars.

Shortly after I went to France, where I found employment. After having acquired the necessary routine to be able to hold the position and a sufficient knowledge of the French language, I again took up my favorite studies on speculation and finance

in order to get theoretically acquainted with the trading on the Paris "Bourse," and soon had engaged in active trading. I was some 200 miles away from the place and had to do most of the trading by wire. I was very "lucky" at the start, my first trade in Rio Tintos netting me over 1,000 francs. I had many ups and downs and at one time was heavily committed in French, Spanish, Italian "rentes," rails, industrials and South African mines, and my profits were piling up. But it was too much of a good thing. In the midst of success I lost my head and committed the fatal mistake of overtrading. I had to learn my lesson. On the following slump I was caught and entirely wiped out. I had not only lost all the profits, but also my working capital.

In July, 1903, I crossed the ocean, full of energy and hope, to start anew in the big city of New York. I found employment with an import house where I had to work hard for a salary that left me very little with which to build up a new speculative fund. I was looking for good opportunities. My attention was first attracted by the financial ads. in the Sunday papers, and I gradually became interested in mining enterprises. I was ignorant of the laws and had not the slightest idea that a paper like the New York * * * would accept fraudulent advertising. Those I had selected for my purposes, I found out later, were nothing but fakes and swindles. I finally liquidated all my holdings with a loss.

During all that time I was watching the big market. I read all the financial news I could get hold of. My desire always was to trade in securities listed on the New York Stock Exchange, and I tried as much possible to acquire the necessary technical knowledge, but I could not commence operations then as the funds I had were not sufficient.

In the meantime I took a position in Cuba, February, 1907. Here I had a good opportunity to put myself once more on a sound financial footing, and after the last panic could not resist temptation any longer. I then had \$500 ready cash, which I promptly sent to a friend of mine, a competent party in the line of investment and speculation, with instructions to open a marginal account with some reliable broker. My initial capital has now grown to \$2,000. It was comparatively easy, as I started in at the very bottom, but was handicapped a great deal by the immense distance from where I had to trade and the great difficulties to keep in touch with the market. I am under the impression that I might have done much better had I been on the ground, and especially if I had known then what your magazine has taught me since.

I did some all-around trading on the long side, mostly in 20-share lots. The most of the money I made in Union Pacific, Southern Pacific, Steel Common. I secured some very good profits in Westinghouse and Wabash Pref. With the first-named stock I

had to go through several periods of reaction, but pulled through and made over 20 points on the trade. I also tried the short side in Copper, but each time got beaten and had to liquidate with a loss, which, however, never exceeded 3 points. I met with one serious reverse and this recently, due to the fact that my instructions were not carried out. I had bought some Western Maryland at 21 with an order to protect the trade with a 2 point stop. My friend, in the meantime, went on his vacation and the next I knew the stock had declined to 13 with my trade still open, the stop order, owing to an oversight of my friend, not having been put in. When the news reached me about the reorganization, assessment, etc., I concluded that there was no possibility for the time being to get out without a heavy loss. I therefore decided to stick to the stock, and in order to reduce my loss, thought best to buy some more on a scale down. I put in an order to buy 40 more at 10, and when I saw it executed at 8½ cabled once more to buy 40 additional shares at 6, which I also secured. I have now 120 shares, which cost me a trifle less than 12, against which I have deposited as collateral 10 shares of Westinghouse second pref. assessed stock and \$275 in cash. As I intend to stick to the stock, I shall have to make arrangements to meet the assessment.

I am expecting the official plan of reorganization to learn the details, and presume the broker will take care, if not of the assessment, at least of a good part of it. Do you approve the position I have taken? How much of the funds required do you consider as being necessary to be furnished by me to protect the trade with a liberal margin? I see the stock has since declined to below 4. Should the broker finance the entire assessment then? I intend to buy 80 more shares at around 3, making a total of 200 shares at an average price of less than 9, in which case I would have to send only about \$200 more to pay in full for the stock, taking the Westinghouse collateral at 75 for \$375. Would you consider the trade as a conservative one?

I also wish you would kindly give me your valuable advice on the following matter: I have resigned my position and expect to return to New York by the middle of September. It is with the intention to engage in a business where I hope to locate permanently, with preference of course in my favorite line of finance and banking. While looking around, and as circumstances may compel me to be without an occupation for some time to come, I have resolved to take advantage of this turning point in my business life and have a serious test at tape reading. I feel as if I owe this trial to myself, as I always have felt strongly inclined to branch out in the field of speculation, and in case I should meet with encouragement I am decided to take it up as a business and stick to it permanently. I am financially prepared to

spend some months in this direction without any special worry; besides I have had some good training and experience which ought to be a help and guide to me in controlling myself to keep within the limits of sound speculation and to find out within a reasonable time whether I am fit for the proposition or not. I am also inclined to believe that the coming months ought to be a favorable epoch to start in, as we probably will see some broad markets in both directions with good opportunities for an alert trader.

I shall feel under great obligation to you if you will be so kind as to give me your unbiased opinion about my plan and to assist me with your valuable advice.

I also wish you would kindly give me the address of the brokerage house which you consider best fit for my purposes.

I intend to start trading in small lots and wish to be connected with a strictly reliable broker with a quiet office where I can dedicate myself to the tape in an undisturbed way.

The books I am studying are: Complete series of THE TICKER, "Story of Erie," "A B C of Stock Speculation," "Cycles of Speculation" and "Pitfalls of Speculation." Which by order of importance are the most necessary books you advise me to acquire to continue my educational studies?—A. S.

Ans.—Your experience is a very interesting one, and we are glad that you consider speculation a business which must be learned. Your previous experience has doubtless been of great value, one of the lessons being "don't overtrade."

Practically every house will finance assessments for you, and the Western Maryland assessment is no different from others. We cannot advise as to the safety of the position you have taken in this stock, as we never give opinions regarding such matters. It is well to bear in mind, however, that a stock can fluctuate just the same after an assessment is paid as before. You should provide ample margin to meet the worst contingency.

We think you are wise in coming to New York, as the opportunities here are far greater than in any other city we know of. We do not advise you, however, to begin tape reading when you arrive. A better plan would be for you to locate yourself in business, and after you get thoroughly started, arrange with a clerk in your brokerage house to wind up the tape for you after each day's session. You can then study it at home evenings. You should do this for months before risking a dollar. Tape reading is absolutely different from any other method of trading; in fact, is a business in itself.

The following are the books which you had best read next in the course of your studies: "Moody's Analyses of Railroad Investments," "Money and Investments," "How Money is Made in Security Investments," "Anatomy of a Railroad Report."

A Valuable Article

Q. How can I obtain a copy of "Speculation as a Fine Art," by Dickson G. Watts?

A. This article appeared in the November, 1907, issue of *THE TICKER*. It is one of the most valuable articles on speculation that has ever been written.

Getting Financial Information

Will you kindly recommend some financial weekly that accurately covers the field of underlying conditions, such as would be an aid in carrying out the plan set forth in Henry Hall's book?—F. A. H.

Ans.—We do not know of a financial weekly which fully covers the ground you mention. Thomas Gibson's weekly letter is probably what you want. Write him at the Corn Exchange Bank Bldg.

Chicago Great Western

When stock of the Chicago Great Western is deposited with the committee, can it be sold by me at any time, or do I wait until the payments are complete?—J. J. F.

Ans.—When you deposit your stock with J. P. Morgan & Co., you will receive negotiable certificates which can be sold at any time. As payments are made they will be endorsed on the back of these certificates and the certificates will be quoted according to the number of assessments paid. See quotation list in daily papers.

Answering Questions

I imagine there are many like myself who have so many questions to ask that they would not want to impose on your good nature too often. May I suggest that you establish a bureau of information and make a slight charge for answering questions, according to the time it would take a clerk to answer the same?—R. O. B.

Ans.—Send along your questions. This department is intended for people like you who want to know the details of the business. If the time required in answering is extraordinary, we will satisfy your desire to spend money by making a slight charge.

Cotton and Grain Futures

Is there a tax on cotton and grain transactions? Why can I not buy October cotton and sell May against it and make the difference? Can these commodities be carried indefinitely?—A. A. A.

Ans.—There is no tax on cotton or grain transactions. If you buy October cotton and do not sell it before that month has expired, the cotton will be delivered to your broker by means of a warehouse receipt, and he will have to pay cash for it. If you hold it to fill sale of the May option your warehouse charges, etc., for the intervening months would about offset the difference between the two options. Cotton

or grain can be carried indefinitely, but the carrying charges would make this a very expensive proposition.

Studying Tape Reading

Is it possible to come to New York and study tape reading with someone or is there anyway in which I might get a more thorough training before I start in to read the tape? Could one study the tape in St. Louis with the same advantage that he could in New York City?—F. W. W.

Ans.—Rollo Tape knows of no one who would be willing to teach you tape reading or with whom you could train. We believe the city of St. Louis is supplied with ticker service, and, if so, you can study tape reading from there, but it would be better for you to secure some of the tapes and study at home first. We do not advise you to risk a dollar at tape reading without first studying the whole speculative proposition for months and months.

What to Read

For a novice what advice, in a general way, have you to offer? I have nerve and caution, am amenable to advice, do not contemplate depleting Wall Street's cash surplus immediately, and desire to try the game for the sport of the hazard. What books shall I read?—H. N.

Ans.—Our best advice is found in the preceding numbers of *THE TICKER*. We suggest that you supplement the above by reading the following books mentioned on page 16 of *THE TICKER*. If you wish to speculate, read: "A B C of Stock Speculation," "How Money is Made in Security Investments," "Pitfalls of Speculation," "Cycles of Speculation," "Money and Investments." If you wish to invest, read: "Moody's Analyses of Railroad Investments," "Anatomy of a Railroad Report," "Investment Bonds," "How to Invest Money," "Financial Crises."

Collection of Dividend on Collateral

Last year I put up some Chicago and Northwestern stock as collateral with *** & Co. On January 1st I ordered this stock transferred to another broker to be held by him as collateral and on July 14th ordered this stock sold. There was a dividend due July 1st, which I have been unable to collect. Who is responsible for the collection of this dividend?—C. L.

Ans.—The dividend on Northwestern was payable July 1st, to holders of record June 4th. If your account was transferred in January, it was your broker's business to have the certificate transferred to his name before the books closed. If he was carrying stock for you on June 4th he is responsible for the collection of the dividend. If the stock was still in your former broker's hands on that date you would have to look to him.

Trying Out a Mechanical Method

I would be glad if you would suggest a period during which a mechanical method would be likely to get jolted in both up and down directions. Would you be so good as to advise me if you can supply me with back records for the period you would suggest?—S. B. C.

Ans.—We think July of this year and July and August of last year would be especially good months to test out your plan, but would advise you not to risk your money except in a small way, unless you can test it out over a period of two or three years—some bull and some bear years. You should know what it will do in all kinds of markets and under the worst circumstances.

"Back Number Budd" is a dealer in back numbers, and perhaps you could get from him back numbers of The Evening Sun. His address is Thirty-second street and Broadway, New York. He charges rather high prices, but you might communicate with him.

Glossary of Railroad Nicknames

Editor of The Ticker:

May I suggest that a glossary of railroad nicknames, like Nickel Plate, Monon, 'Frisco, Soo, etc., would be useful to novices at least?—W. C. D.

Ans.—Nearly every city has local nicknames for the various stocks. The nicknames given below are those most generally used in the Wall Street district:

Recognized Nicknames of Stocks

Nickname	Correct Title
1. Air Brake	New York Air Brake
2. Big Rails	Southern Railway pfd.
3. Big Rocky	Rock Island pfd.
4. Big Steel	U. S. Steel pfd.
5. Burlington	Chicago, Burlington & Quincy.
6. Central	New York Central
7. Chattanooga	Nashville, Chattanooga & St. Louis
8. Chemical	Virginia-Carolina Chemical
9. Clover Leaf	Toledo, St. Louis & Western
10. Copper	Amalgamated Copper
11. 'Frisco	St. Louis & San Francisco
12. Fuel	Colorado Fuel & Iron
13. Katy	Missouri, Kansas & Texas
14. Little Rails	Southern Railway com.
15. Little Rocky	Rock Island com.
16. Little Steel	U. S. Steel com.
17. Marine	Int. Mercantile Marine
18. Monon	Louisville, New Albany & Chicago
19. Mop	Missouri Pacific
20. New Haven	New York, New Haven & Hartford
21. Nickel Plate	New York, Chicago & St. Louis
22. Nipper	Northern Pacific
23. Old Woman	New York, Ontario & Western
24. Omaha	Chicago, St. Paul, Minneapolis & Omaha
25. Pan Handle	Pittsburg, Cincinnati, Chicago & St. Louis
26. Pennsy	Pennsylvania
27. Post Office	People's Gas
28. Slush	Sloss-Sheffield Steel & Iron
29. Smelters	American Smelting & Refining
30. Soo	Minneapolis, St. Paul and Sault Ste. Marie
31. Sop	Southern Pacific
32. South West	St. Louis Southwestern
33. Springs	Railway Steel Springs
34. Three C's	Cleveland, Cincinnati, Chicago & St. Louis
35. Whiskey	Distiller's Securities

Tape Reading From "The Sun"

I have been following your series of articles on tape reading with a good deal of interest. There is one point on which I would be glad of more light. In your article for last March you explained that when big lots appear on the tape at the bid price, and small lots at the offered price, it is a bearish indication, and vice versa. This is a very plausible idea, and first occurred to me a long time ago. I have perspired copiously both before your article appeared and since, trying to make the scheme work on the quotations as they appear in The Evening Sun, but without

satisfactory results. What is the trouble?

—J. R. W.

Rollo Tape requests us to say: It is not very often that the volumes up and down on a single stock can be taken as definite indications of the trend. The trouble with this method is that you can judge the market by only one stock at a time, whereas in genuine tape reading you take all stocks into consideration. The volumes in Union Pacific may trend strongly upward, but Reading, Steel and other stocks may show exactly the opposite tendency and be still more pronounced. Frequently we see several stocks pulling up and the whole balance of the list bearing down. Other days

however the market is absolutely dominated by one stock which is being handled in immense volume by large operators. Some of these occasions have been reproduced from The Evening Sun in connection with the tape reading series. I remember taking several consecutive issues of The Evening Sun, when large manipulative orders in Union Pacific were in the market and making mental tests showing from \$100

to \$600 a day profit. However, The Evening Sun reports are bunched. If 10 100-share lots come out at the same price and consecutively, the report in The Sun will read 1,000 shares. The newspaper, therefore, gives you a very different idea from the tape.

To answer your question specifically, you cannot trade from newspaper quotations on the volumes as you can from the tape.

Book Reviews

MOODY'S MANUAL, full Russia, 3300 pages; published by the Moody Manual Co., 33 Broadway; price, including the monthly supplement service, \$12.00. For sale by The Ticker Publishing Co.

The 1909 edition of this well known manual embraces several improvements over previous editions, with an increase in size of about 300 pages. The series of signed analytical criticisms on the 100 most important railroad systems of the country, by Roger W. Babson, is of special interest. The work is divided into four principal sections covering respectively railroads, public utilities, industrials and mines. It is supplemented by a monthly digest of corporation news, which includes all the important news affecting corporate securities from about 30 leading technical and financial publications of this country. This enables the subscriber to keep constantly posted as to the latest developments in regard to all securities in which he is interested.

This Manual is used by nearly all the foremost banking institutions, in government offices in this country and abroad and in executive offices generally. The compiling and editing has been done by men specially trained for the work, and every effort has been made to insure accuracy. Under public utilities are included street railways, gas, electric, telephone and water companies. The detailed information contained in this section is of unusual interest and value. Taken as a whole the Manual is a mine of information, so arranged as to be almost instantly available to the investor.

BUSINESS BAROMETERS FOR FORECASTING CONDITIONS, by Roger W. Babson; 392 pages, flexible leather binding, price \$3.12 postpaid, cloth \$2.12 postpaid. For sale by The Ticker Publishing Co.

This book is an enlargement of the author's "Investments: What and When to Buy." It contains a large amount of additional interesting matter, much of which has already appeared in the Babson series of articles on "Fundamentals" in THE TICKER. The whole is presented in a convenient form for ready reference.

Mr. Babson is a statistician and economist of national repute. For years his time has been devoted to compiling statistics and reports for leading bankers and merchants and aiding them in diagnosing business conditions. Merchants want to know whether to extend credits or to contract them; bankers whether interest rates are likely to rise or fall; investors whether to sell or buy. Mr. Babson's book is intended to aid them.

Chapter headings are as follows: The Theory of Statistics; Range of Stock Market since 1860; Range of Commodity Market since 1860; Fundamental Statistics, as Used in Determining When to Buy and Sell; Conditions and Events Since 1860; The 25 Subjects Studied Under Fundamental Statistics; A Talk on Coppers. Several charts are included.

This book is of great value in enabling the business man or investor to classify and separate his ideas in regard to the factors which influence prices and business conditions, so as to give the proper weight to each subject. Most practical business men understand roughly what conditions influence business, but their ideas are in a confused state and they often fail to distinguish between essential and important fundamental conditions and those which are merely supplementary. The author also makes many helpful suggestions as to the statistics which should be studied and the influence of each class of statistics on business conditions.

If you wish to be placed in touch with a responsible house, write THE TICKER, stating whether you are contemplating investment or speculation; what amount you have for investment, or in what size lots you wish to deal.

Also state what large city is located most conveniently to you, or if you have any preference in this regard.

